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National Home Center News®

Vol. 8, No. 23 | The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. | November 8, 1982 | $7 per year $2 per copy

Wholesalers post strong fall sales season

NATIONAL REPORT—It's been a long time coming, but the light at the end of the tunnel is finally visible to hardware, lumber and building materials wholesalers. Many of them are experiencing one of the strongest fall seasons in recent memory.

- The $10 million Wimsatt Bros., Louisville, Ky., had the second most successful September in its 36-year history;
- For only the second time this year, monthly sales at $4 million Lumberyard Supply, St. Louis, exceeded 1981 totals in September;
- Palmer G. Lewis, the $115 million program wholesaler in Auburn, Wash., saw its net income for the second quarter, ending July 25, rise 27% to $159,000, with company president Dick Lundgren projecting "healthy income increases" for the whole of 1982;
- The $100 million, 1,000-member Our Own hardware wholesale co-op saw its sales pick up after Aug. 1 when, according to vice president James Weyrems, "every one of our basic product areas has begun to show some strength, and the demand is coming directly from the consumer."

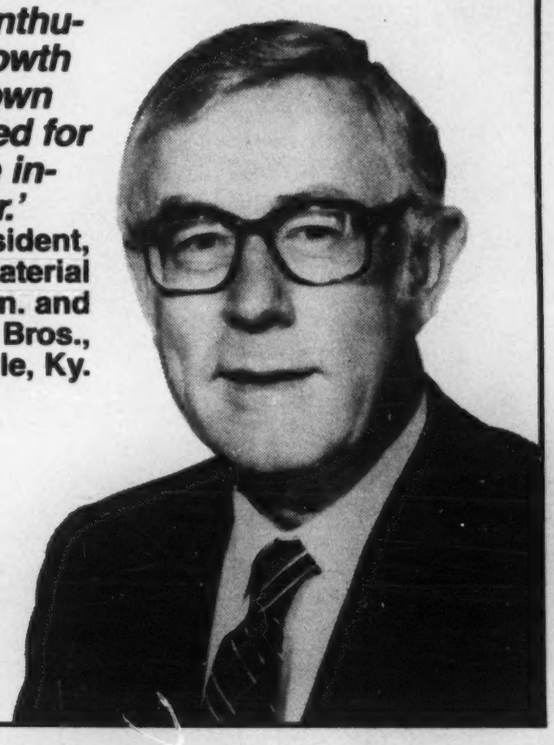
Like wholesalers at last month's National Hardware Convention in Washington, D.C., those attending the 31st annual National Building Material Distributors Assn.'s Fall Convention in Los Angeles this week have more encouraging news to talk about than the high interest rates, low retailer and consumer buying, and disastrous sales and earnings declines they have battled over the last two and a half years.

The theme at the NBMDA's convention this year is "Plotting a Course for Profits," which for the first time in a long while seems to be more than wishful thinking.

"The first quarter of 1982 was a disaster, and many of our

(Continued on page 43)

'I have measured enthusiasm for sales growth in 1983, and my own company is budgeted for a 5%-10% volume increase next year.'
J. Hays Wimsatt, president, National Building Material Distributors Assn. and Wimsatt Bros., Louisville, Ky.



Chains prep Yule promos to eliminate 'dead months'

NHCN Roundup

Trim-a-tree, power tools and, surprisingly, lumber and building materials will be highlighted in the Christmas promotional campaigns of several home centers this year.

While the holiday season has been referred to in the past as "two dead months of no sales," an increasing number of companies are employing elaborate in-store displays and supporting them with strong ROP and tabloid advertising to plant the notion in the consumer's mind that home centers are places to shop for Christmas gifts.

Chains like Busy Beaver and independents All-American Home Center and Somerville Lumber again plan to aggressively pursue Yuletide business by promoting such fare as appliances, tools, artificial trees and decorations. Somerville, along with the Midwest Hal's and Courtesy Home Center chains, also plans to promote the "fix up your home before the holidays" theme, with special remodeling projects being emphasized.

"Actually fix up your home during Christmas is the implicit message of our ads," said Zangwill Munies, Courtesy vice president. "And building material sales have shown surprising strength in past holiday peri-

(Continued on page 47)

Should improve lumber freight service

I.C.C. approves Western rail merger

By Kenneth Schept
NHCN senior editor

WASHINGTON—The Interstate Commerce Commission on Oct. 20 approved the merger of three Western railroads into the nation's third longest line, stretching 23,000 miles from the Pacific to the Mississippi.

The consolidation of the Union Pacific, Missouri Pacific and Western Pacific will result in the nation's third largest lumber transporting railroad. Its impact, however, on lumber freight rates, service and equipment availability is still being debated.

While Pacific Rail Systems, the new corporation, could operate as one entity 30 days after the I.C.C. approval, court challenges are expected to at least delay the merger. In two separate actions the Southern Pacific is charging that the giant hookup will destroy rail competition in the West.

J. R. Davis, Union Pacific vice president of operations, denied that charge, noting that alternate rail carriers as well as trucking concerns would still be operating. The merger, he argued, would bring greater efficiency to, in fact, benefit customers.

"What brings freight rates up are costs," Davis said. "Through merged systems we will have better control on operating costs. In addition customers will have better service."

To transportation experts in the lumber industry, the advantages to the new rail giant seem much more assured, however, than potential benefits to its customers.

Currently, shipping material over the track owned by the three separate lines incurs terminal costs when the freight is shifted from one company's operation to another's.

That process inflates rates, according to Jim Manning, director of transportation services for the Western Wood Products Assn. because, "if two or more rails have to get together each wants a chunk of the pie and the pie gets larger."

Joining separate railroads into one line eliminates terminal costs but who would enjoy the savings is not as clear.

"I doubt if the savings would be passed on to the ultimate consumer, unless the ultimate consumer puts his foot down," said Gene Harris, traffic manager for J. C. Harper, Birmingham, the transportation consultant for the Southern Forest Product Assn.

(Continued on page 48)

Kerosene heater industry blasts negative publicity on safety

By John Caulfield
NHCN associate editor

NEW YORK—When actor William Shatner of "Star Trek" fame switches on his portable kerosene heater in a widely televised commercial, the people enjoying the warmth of his luxurious living room never question the safety of kerosene heater products.

But the October issue of *Consumer Reports* has, and the negative publicity has erupted into a ball of fire between the nation's kerosene heater suppliers and Consumers Union, the magazine's publisher.

The largest marketer of the heaters in the country, Kero-Sun, Kent, Conn., has filed a $41 million libel suit against Consumers Union in Bridgeport, Conn., U.S. District Court, claiming that the "offending article" in the issue contained more than "80 false and libelous statements pertaining to portable kerosene heaters in general, and to those marketed by Kero-Sun in particular."

Kero-Sun has also sought an injunction to restrain the republication of the story, as in *Consumer Reports'* year-end roundup.

The Nashville-based National Kerosene Heater Assn., has also threatened to sue, but at presstime no action had been filed, and executives from NKHA, Kero-Sun and Consumers Union were huddling in the publisher's Mount Vernon, N.Y., offices to try and arbitrate their differences.

(Continued on page 48)

An article in the October Consumer Reports, *calling kerosene heaters "hazardous" for residential use, has ignited a bitter controversy among its publisher, Consumers Union, the National Kerosene Heater Assn. and Kero-Sun, the largest marketer of the product in the United States.*

NEWSBREAKS

ALL AMERICAN TO REMODEL. All American, the 140,000-sq.-ft., Downey, Calif., home center, plans to convert 3,600 sq. ft. of warehouse into retail space by March 1. The remodeling, which will begin soon after Christmas, will include a customer traffic loop, 3,000 sq. ft. of kitchen and bath vignettes and the splitting of hardware and tools into two separate departments. Electrical, plumbing and decor departments will also be expanded.

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DIY Industry update

Menard now ready for Milwaukee

MILWAUKEE—After an aborted attempt to land three stores here last year (*NHCN*, Dec. 15, 1980), Menard is now on the threshold of opening its first unit in this market.

Industry sources confirmed that the secretive but powerful $200 million company is building a store on the north side of the city. The unit was planned for a fall opening, but more likely, it will debut around the first of the year.

It is expected Menard will add two more stores in the market possibly including one on the south side and another on the west side.

Sources indicated that the first Milwaukee Menard will be 45,000 sq. ft., almost half the size of the usual Menard unit.

"It could be that they realize real estate for an 80,000-sq.-ft. store is hard to come by in Milwaukee," a source said. "Smaller lots are easier to get and they may be developing a smaller prototype for the situation."

It is not that the current building site cannot accommodate an 80,000-sq.-ft. unit. Sources reported that the store is going up on a 10-acre piece of property.

Menard goes into an area that is rapidly developing as a home center market. Two Hal's stores debuted there earlier this year (*NHCN*, June 7) and chain officials foresee at least two more Hal's. Grossman's as well as Kelleys Sawmill and a slew of other independents are also doing business in the Milwaukee market.

Menard is not backing down from its competition, however. It is building across from a Grossman's outlet, a situation it apparently has grown to like. Menard recently located an outlet in Oshkosh, Wis., across from a Grossman's.

It is believed that Menard postponed its entrance into Milwaukee while it got its financial situation in order.

Ace opens company-owned store

URBANDALE, Iowa—Co-op wholesaler Ace Hardware, trying to get a foothold in the Des Moines market, opened its first-ever company-owned store here last month.

Ace established the 15,000-sq.-ft. unit through its AHC Store Development subsidiary and plans to sell the store when a suitable franchisee is found, officials said.

"We did a survey of the area but could not set up the store through normal channels," said director of corporate communications John J. Cameron. "We decided Urbandale was a good location for our first company store."

Ace chairman and president Arthur H. Krausman noted that the Des Moines area "has a tremendous potential for us. We are impressed with the community and look forward to serving its residents both through this store and hopefully through additional stores."

The new unit carries no lumber and building materials but features a large housewares department as well as other hard lines, according to officials, who stated that Ace's intention is not to begin development of company-owned outlets.

The store celebrated its grand opening with door prizes for coupon-carrying customers.

Handyman to close Chi area unit

PARK FOREST, Ill.—Handyman, the San Diego-based chain, recently announced it will close its Park Forest, Ill., unit in early December. The 45,000-sq.-ft. store and 5-acre site are up for sale, but chances are home center operators will steer clear of the location.

Henry Haimsohn, vice president of sales at Handyman, explained that the chain is not pulling out of Chicago per se, just the Park Forest location. "The store was simply not generating enough sales," said Haimsohn, who added that the soft sales were historic, not a phenomenon of the past year.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 8, No. 23. Copyright© 1982 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10016. For change of address six weeks notice to Subscription Department, 99 Park Ave., New York, N.Y. 10016 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 8, No. 23 November 8, 1982

Ole's sponsors a marathon

PASADENA, Calif.—Ole's Home Centers is sponsoring a marathon race on Nov. 21 that is expected to attract some 4,000 runners who will cross the finish line inside the Rose Bowl.

Robert G. Mendes, vp-sales and promotion for the 33-unit chain said the main reason for sponsoring the race "is exposure. We'll have our names on T-shirts, the finish line, banners and everything else."

Ole's is also stressing the "community involvement" aspect of the event in print advertising and in-store signs, Mendes added. To draw customers into the stores, applications are available only at Ole's units and a handful of stores that sell running shoes.

Television will feature trailers at the tag-end of Ole's regular commercials noting the upcoming race. Mendes said the chain will have a "Marathon Sale—possibly the night before."

Inside the famed stadium on race day, a health and fitness expo featuring booths containing apparel and running paraphernalia is expected to draw additional participants.

While not revealing Ole's race-related expenses, Mendes said the company expects "to get it back and still have plenty of money" to give to the Pasadena branch of the YMCA, which is slated "to get whatever is left over beyond our expenses."

Mendes said several world class runners have been invited to participate, raising the possibility that the event will be given national television coverage. The race has been officially certified, meaning that finishers who run the 26.2-mile marathon within a certain time may qualify to run in the Boston Marathon. Shorter races covering distances from 3.1 miles to 13.1 miles are also scheduled.

"We see this as becoming a major marathon in two years," said Mendes.

Z&L Lumber eyes 20% sales rise from better displays, more sku's

PITTSBURGH—Z&L Lumber is turning to the remodeling market and to products with higher, stable gross margins to offset the effects of the economy and weak results from core lumber and building material products, according to Morris J. Brookner, president of the six-unit chain.

Z&L officials are investing $25,000-$30,000 per store to improve displays, and to increase sku counts by 10%-25% and volume by 20%-25% in the beefed up categories, Brookner said.

Departments getting primary attention are kitchen and bath and plumbing and electricals, he added.

"We're modernizing such areas as kitchen and bath displays to try to stimulate sales in those categories and improve gross margins because lumber and building material grosses are down so low," he explained.

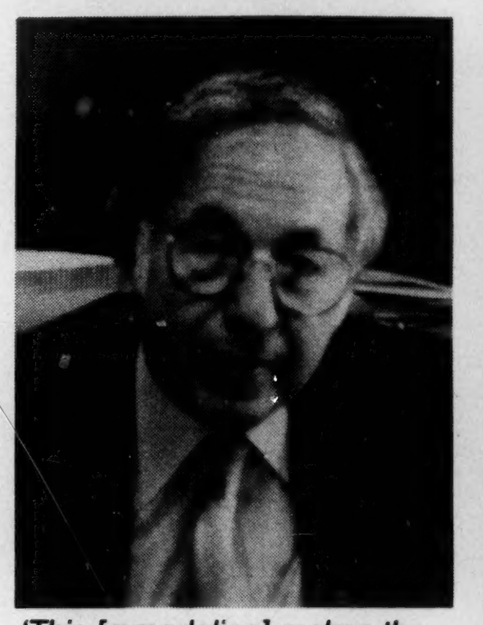
While commodity items are carrying 15%-20% gross margins, Brookner related, other products are offering more attractive 25%-35% margins.

The $22-million, 85%-DIY chain has also upped its advertising budget 25% in newspapers, tabs, direct mail and radio, which accounts for 5%-10% of the total, Brookner commented.

Specifically, the stores are getting a more polished look from carpeting on the sales floor in various departments and floor tiles on more heavily trafficked areas, the chain president explained.

The company's units will

(Continued on page 4)



'This [remodeling] makes the store more appealing to the woman.'
Morris Brookner, president, Z & L Lumber, Pittsburgh

New construction up 14% in Sept.

NATIONAL REPORT—Increased new home construction, declining interest rates and growing existing home affordability have improved business prospects for building supply retailers recently.

Total new housing construction rebounded 14% in October from the month before to 1.146 million units annually, seasonally adjusted. In October, single-family units were up 6.6% to 663,000 units, seasonally adjusted.

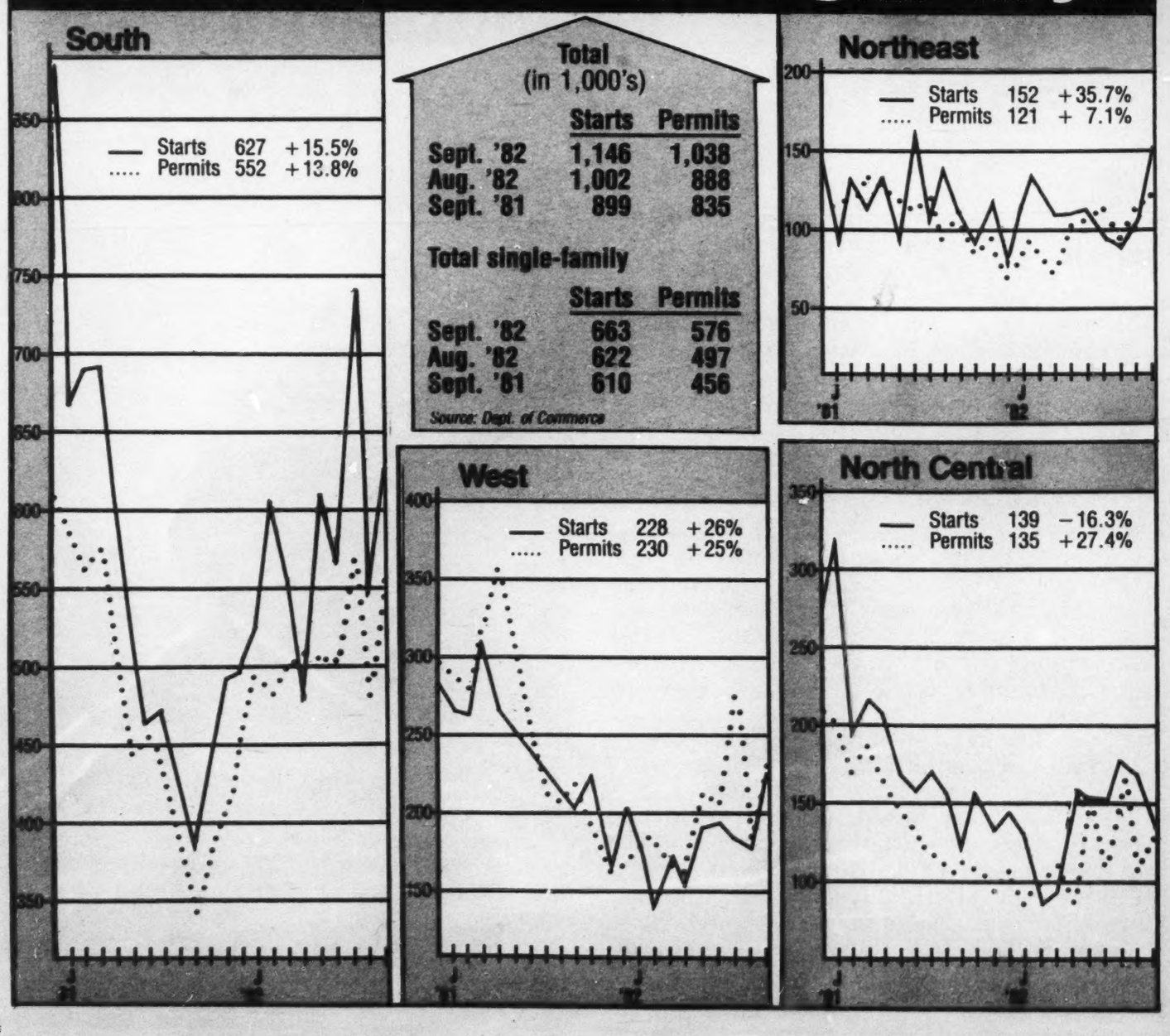
The average effective commitment rate on a conventional 25-year mortgage with a 75% down payment dropped to 16.23% in early September, the lowest level since May 1981, according to the Federal Home Loan Bank Board.

Monthly principal and interest payments on an average-priced existing, single-family home have declined $26 since July, according to the National Assn. of Realtors.

"As the economy recovers, in other words, it is almost a 'heads you win, tails you win' situation with the repair and remodeling business," wrote Barbara Alexander, vice president, Smith Barney Harris Upham, in the company's construction quarterly.

(Continued on page 4)

September home-building activity



Sigoloff's salary

(Continued from page 3)

consultant hired by the board to "make sure that everybody was being paid fair market value," the spokesman said. "The consultant found that the senior management was not [being paid far market value] and so their salaries were adjusted."

Both Sigoloff and Chanin are part of the five-member board of directors, but only the three "outside" directors not employed by Wickes—but handpicked by Sigoloff—actually approved the pay raises.

The outside directors are Rita E. Hauser, senior partner in the New York law firm of Stroock, Stroock & Lavan; Ellsworth L. Johnson, chairman and ceo of First American Care Facilities, and Preston Silbaugh, chairman of Beverly Hills Savings and Loan Association. They are paid $15,000 a year plus an $800 per meeting fee.

"It's not like working for A.T.&T.—there you have a pension after a certain number of years," Silbaugh told *NHCN*. "Here you have a situation where anyone coming aboard Wickes has to wonder about his own future. There are no guarantees and no job security—it's on a month-to-month basis. In effect, in order to attract competent personnel, one has to pay them."

Silbaugh, who is chairman of the compensation committee, added that despite the pay raises, the five Wickes executives are still being paid salaries that are "considerably below the industry average."

Under Sigoloff's original employment agreement dated in March, he was to receive a base salary of $350,000 a year plus cost-of-living adjustments. That compared with former chairman and ceo E. L. McNeely's total renumeration of $807,450. However, Sigoloff was also given an initial $400,000 bonus described in the 10-K as "compensation for benefits he relinquished" after leaving Kaufman & Broad, where he was vice chairman.

Sigoloff's employment contract also provides that Wickes will pay premiums on two $1 million life insurance policies, and he has options to purchase stock at an exercise price of $4.38. Wickes stock is now selling over-the-counter for about $2.50 a share.

"This has to be put in perspective," said a Wickes official. "The only way this company is going to turn around is with proper management and direction. We're asking enormous sacrifices on the part of our people. . . . You at least expect them to be compensated at fair market value. It's only fair."

Sigoloff donates $5,000 to gubernatorial campaign

SANTA MONICA, Calif.—Sanford Sigoloff, recently granted a $90,000 pay raise by Wickes' board of directors, didn't waste any time deciding how to spend some of it.

Sigoloff says he has given more than $5,000 to the gubernatorial campaign of Los Angeles Mayor Tom Bradley, the Democratic nominee vying against Republican challenger George Deukmejian in the Nov. 2 California governorship contest.

Sigoloff was named co-chairman of Republicans for Bradley along with fellow retailing executive Philip Hawley, president and ceo of Carter Hawley Hale. Both businessmen told a press conference shortly before the election that this was the first time they had ever supported a Democrat for public office. Hawley said he hadn't yet contributed any money to the Bradley campaign.

Day at the race track

(Continued from page 3)

cost of over $100,000 each, after it finishes converting units in Akron and Parma, Ohio, which are both more than 60,000 sq. ft.

"We think it's the right way," explained Don Blaine, director of store planning. "We plan to do more next year. The only question was whether we would have high or low fixtures in the center of the store. We're now convinced we need high fixtures [84 in.]. Our merchandise just looks better on high fixtures."

While it is still early for the chain to know the results of its race track setup, Blaine indicated that the tool department, located in the center of the loop has done "fantastically," but it is also doing better in other nonrace track outlets.

Even if Forest City does not emerge with the hoped-for 10% sales increase and four turns a year, Blaine said, with the race track "We get a better overall margin mix in the front of the store."

Kindt introduced its first race track format a year ago in a 20,000-sq.-ft. unit in Sheboygan, Wis., after a fire had gutted the original store, according to advertising manager Dave Boyles. A few months later, the 15,000-sq.-ft. Jackson, Wis., outlet received the same look.

The key feature is a service counter in the rear of the store.

"When it was in the front of the store," Boyles explained, "The service counter did not allow people to get through to the rest of the store. We've sold service hard, but we feel people will find the service counter anyway. It's tough not to get dragged into the loop and people are not cutting through aisles to avoid it either."

The center of the loop includes Kindt's 5-ft. fixtures, diagonally arranged with mass displays of products in the triangles formed by the diagonals.

Despite no major differences in store performance, however, Kindt officials are happy with their race tracks and are proceeding with plans to use the loop in Menasha.

"Residential building is down and that has reduced the average sale," Robert Drumm, vice president, related, "but it doesn't matter what format you have. It wouldn't have made a difference in the last two years. The difference would probably show up in a better economy. We're satisfied with the exposure the race track gives our products and we aren't giving up space for it."

Randall H. Woods, president of Hugh M. Woods, envisions his race track formats in Las Vegas as forming an inverted "U" from the checkouts with vertical aisles in the middle and horizontal aisles on the sides of the "U."

Lower, 5-ft. gondolas may be located in the middle of the stores, he noted.

And the president of Kentucky-based Levy's noted, "Our 55,000-sq.-ft. store on Dixie Highway [in southwest Louisville] would be perfect for a loop. We've sent the blue prints of the store to a specialist to get a rough sketch for a loop."

Hal's vice president Tom Gritz stopped short of calling his chain's two 30,000-sq.-ft. Milwaukee area outlets race tracks, but they are close to fitting the mold. Despite success by Lowe's and Kindt with race tracks in smaller outlets, Gritz feels large stores are prime candidates for the concept.

"To be genuine race tracks, we'd need 50,000-sq.-ft. stores," Gritz said. "We could have hit on it accidentally. We have 12-ft. aisles for lumber handling which form a sort of loop."

Housing

(Continued from page 2)

Increased housing turnover would mean more repair and remodeling, but even a slow recovery with more Americans staying put would prompt homeowners to sink money into their houses, the report continues.

The recovery may be gradual, according to Alexander, who sees no magical mortgage rate to spur a home buying explosion. In fact mortgage rates may have to dip to the 10% to 11% range, she feels, before the majority of trade-up candidates would be interested in moving.

Most of them purchased homes during the 1970's at conventional mortgages below 9%. "Historic rules of thumb would suggest that a 200 basis point increase is about the maximum face rate trade-up consumers have accepted," wrote Alexander—hence, the 10% to 11% range.

Still, just looking at the September housing activity numbers there seems to be cause for optimism, with total permits up 16.9% to 1.038 million seasonally adjusted and single-family, seasonally adjusted permits at 576,000, up 15.9%.

Indeed, with September, every month since May, except for a dip in June, has recorded total starts of more than a million.

Z&L Lumber

(Continued from page 2)

show more vignettes in kitchen and bath. The selection in kitchens will feature new light and medium oak looks and more kitchen fans and range hoods, Brookner noted.

"This makes the store more appealing to the woman," he said. "She is able to visualize what the finished product will look like."

In electricals, the changes will include higher-priced lighting fixtures, especially for the dining room and kitchen, to tie in with kitchens, Brookner said.

In plumbing, the company is increasing its commitment to plastic because it's "simple for do-it-yourselfers," he noted. The sku expansion also includes the addition of such items as nonmetallic faucets, which are chrome finished plastic selling for 25%-35% less than metal.

"The consumer who is living in an apartment may be looking for a less expensive faucet," Brookner said.

Officials plan to have all the changes implemented at the six stores by the spring.

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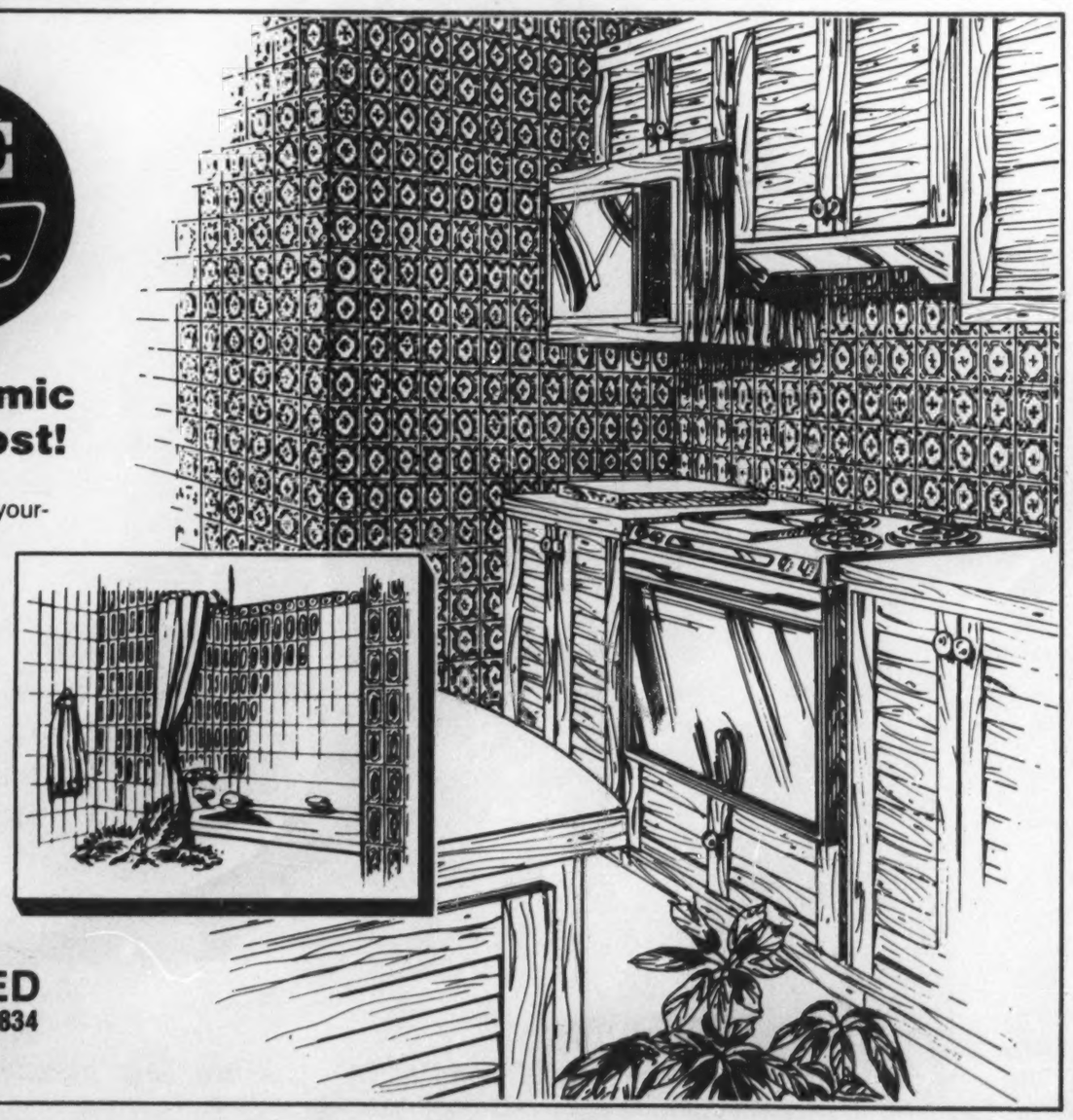

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LUMBER REPORT

Shocking price hikes just around the corner

By **Hawk Furman**
Special to NHCN

It feels good! Confidence is returning to the lumber industry as many factors point to a strengthening long-term recovery from the last three depression-ridden years.

Friday, Oct. 8, 1982, the Federal Reserve Discount Rate dropped from 10% to 9.5%. By mid-month, the prime rate dropped to 12%, the money supply dropped by $2.7 billion and the stock market roared. These factors added further confirmation to the turnaround in the forest products industry. Let us examine some reasons for renewed optimism.

Interest Rates: Long term interest rates, the key to sustainable recovery, are coming down. Now 14% conventional mortgages are available and the FHA/VA loan rate is 12.5% for single family homes. The National Assn. of Home Builders states that 1.8 million families can qualify for mortgages at 17%, while 7.9 million families can afford to buy a home at a 12% mortgage rate.

And it appears that there will be money available.

The secondary mortgage market is getting larger, allowing the savings institutions to act as mortgage brokers by selling their mortgages to the secondary market and working on a service fee. There is over $700 billion in pension funds today with only an estimated 2% of this money invested in mortgages.

Changes in ERISA have freed up more pension fund money for housing and further changes are proposed to open the conduit wider for more funds to flow into home mortgages. Many states have already started investing portions of their state pension funds into housing. With the Federal Discount and Prime Rate falling, the long term rates should continue to fall, which is great news for housing.

Housing demand: Despite all the gloom and doom about housing being overbuilt, the reality is quite clear. There is a tremendous pent-up demand for housing. Massachusetts put $28.5 million of its pension fund monies into mortgages. The money was all committed within a week. A Milwaukee Savings and Loan put out $100 million in variable rate mortgages at 11.9% and was swamped by applications overnight. Data Resources reports that the inventory of unsold new housing is the lowest in 18 months.

Even the homebuilders outlook has changed. A survey conducted by the NAHB shows that in July, only 19% of builders expected fair business for the next six months. By August 48% shared the optimism. This is the largest jump in expectations in two years.

Production: Lumber production remains at 75% to 80% of normal. Permanent closures of sawmills in the Pacific Northwest will mean an estimated loss of 3 billion board feet according to Data Resources. The pulp industry picture is deteriorating in the Pacific Northwest and eastern Canada and this directly affects the lumber mills, which sell chips to the paper mills. Recent and proposed curtailments at paper mills in the British Columbia interior will affect 40 lumber mills. Most of these mills will have to cut back production.

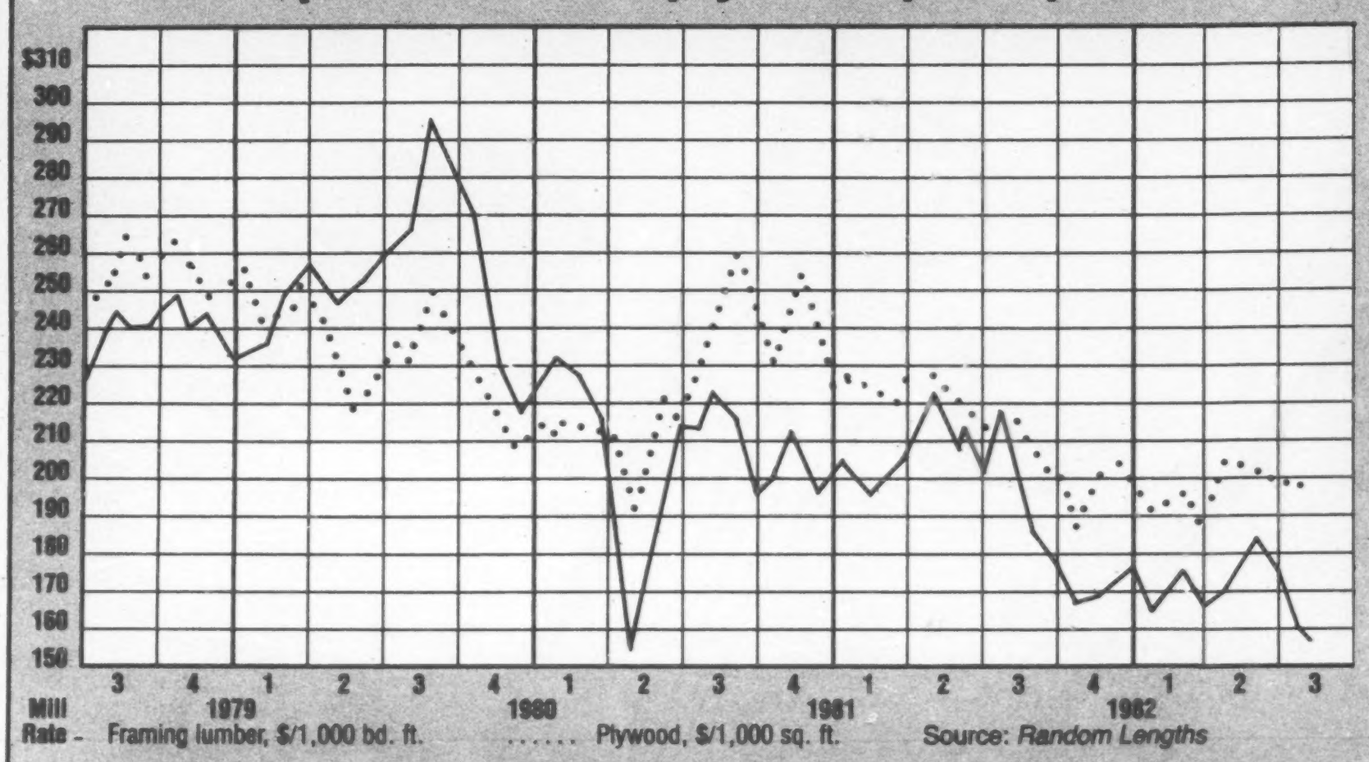
Consumption: Most experts predict an increase of 6% in lumber exports in 1983. The Western Wood Products Assn. is predicting 1.3 million housing starts in 1983. Data Resources is predicting 1.37 million starts. This 30% increase over 1982 will put lumber products in greater demand.

Combine that with the low level of inventories at the mills, wholesale, and retail yards and you may see a price rise of $50 per million board feet by spring, which will put many mills back at the breakeven level. If analyst Phil Chiricotti is correct in his prediction that production will be less than consumption in North American softwood lumber for all of 1982, we could witness shocking price hikes.

Countervailing duty—an unknown factor: A coalition of more than 350 U.S. companies represented by the Western Resource Alliance, Southern Forest Products Assn. and the Southeastern Lumber Manufacturers Assn. have filed a petition with the International Trade Commission for tariff protection from Canadian lumber, shingles, and wood fence parts. They charge that the Canadian Federal and Provincial governments are subsidizing the stumpage, production, and shipment of softwood lumber into the United States, thus allowing the Canadian producers to sell at unfair low prices. If these charges are proven, a temporary tariff could be put into effect as early as March, 1983. The price of wood would soar!

Things are looking better. Lumbermen have been so fiercely battered over the past three years that the turn in the market will not be confirmed by most of them until we are two or three months into it. I feel we have turned the corner.

Composite lumber/plywood price profile



Source: *Random Lengths*

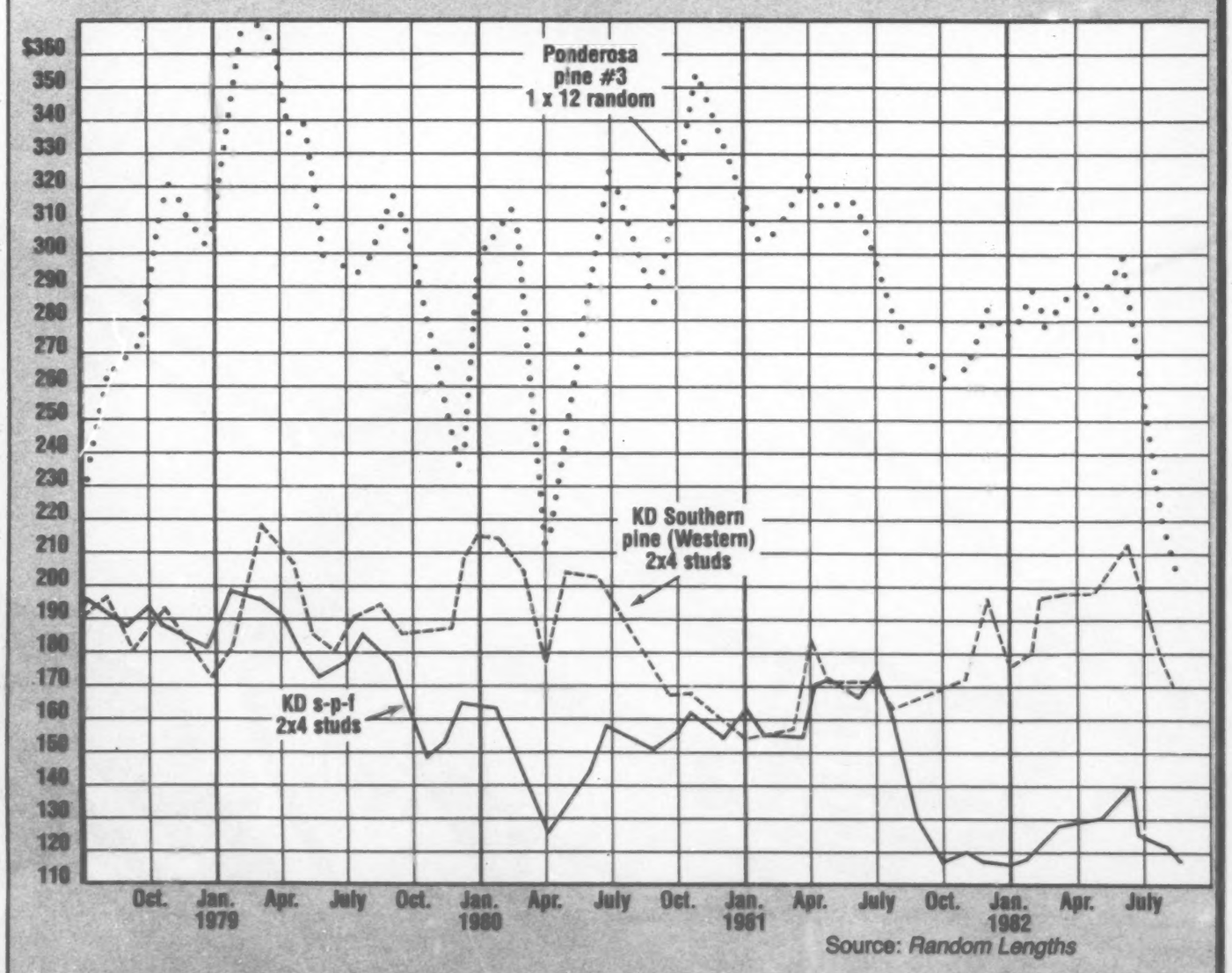
While prices may now be on the way back up as declining interest rates and a bull market seem to signal the beginning of a recovery, lumber and plywood prices for August and September remained off, perhaps representing the bottom of a three-year decline.

The composite framing lumber prices averaged $158 per thousand board feet in September compared with $160 in August and $174 in July, based on Random Length's *weighted measure of nine framing items.*

For plywood, based on a composite of seven key items, Random Length's *prices for September, August and July were $200 per thousand square foot, $196 and $204 respectively.*

Commodity close-up: Studs & boards

Average monthly mill prices



Source: *Random Lengths*

Stud and board prices continued to decline through August and September, although by October falling rates were making it more feasible for customers to carry heavier inventory.

Ponderosa pine #3 1x12 random length prices paused around the middle of August, when the market felt its first positive jolt. But prices then continued to decline, falling to an average of $205 per thousand board feet for September compared with $220 in August and $260 in July.

Prices for KD Southern pine 2x4 studs, which were pushed upward during the spring because of demand by treaters, sunk to $180 in August and $170 in September after reaching an average monthly high of $205 in June.

KD s-p-f 2x4 studs were also off, but less sharply, from $127 per thousand board feet in July to $122 in August and $119 in September.

FUTURES

Two weeks ended Oct. 15, 1982

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Nov.	147.30	128.60	142.20	138.70	2,941	224.50	128.00
Jan. '83	162.00	139.30	155.90	150.80	2,730	205.50	139.00
March	171.80	149.10	166.30	160.80	859	209.80	146.80
May	178.90	157.90	175.70	169.10	366	202.00	151.50
July	187.50	165.50	184.00	179.40	566	201.00	158.00
Sept.	190.20	169.50	188.00	182.00	390	190.20	163.80
Nov.	190.80	171.30	188.00	182.90	95	190.80	168.00

Total Contract Vol. (Through 10/15): 23,965 — Previous Two Weeks: 12,955
Total Open Interest (As of 10/14): 7,967 — Previous Week: 6,204
Cash Price: $140.14 — Previous Week: $130.34 — Year Ago: $133.28

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Nov.	186.80	167.00	185.70	177.60	570	226.50	154.80
Jan. '83	191.30	170.50	188.70	181.70	777	218.60	157.00
March	194.90	174.00	192.30	185.50	197	196.30	162.50
May	198.50	178.20	195.50	188.50	90	198.50	167.00
July	202.00	181.50	199.50	192.00	100	202.00	170.00
Sept.	206.00	185.00	203.00	194.00	4	206.00	185.00

Total Contract Vol. (Through 10/15): 2,450 — Previous Two Weeks: 1,801
Total Open Interest (As of 10/14): 1,738 — Previous Week: 1,468
Cash Price: $185.22 — Previous Week: $173.40 — Year Ago: $174.44

COMMODITY RESEARCH BUREAU INDEX:	This Week 231.6	Previous Week 230.4	Year Ago 270.0

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, Oct. 14.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

FINANCIAL NEWS

STOCK PRICES

	As of 10/13	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	33	37⅛	19¾	13
Diamond Int'l (NYSE)	41⅝	42½	28⅛	53
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	10⅜	25	4⅞	—
Forest City (AMEX)	15¼	15¼	11¼	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	39½	46½	28½	5
Lowe's (NYSE)	25⅛	25½	10½	25
Payless Cashways (NYSE) [Furrow]	36¼	36¼	15¼	21
Scotty's (NYSE)	21⅝	21⅝	12	14
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	11⅜	20¼	7¼	—

Over-the-counter stocks

	As of 10/13 Bid	Asked	52-week High (Bid)	Low (Bid)
Erb Lumber	11	12½	11¾	7½
Hechinger	28¼	28⅝	28¼	12⅛
Hines Lumber	15	16	20	13
The Home Depot	33½	33¾	35⅞	6½
Pay 'N Pak	17⅜	17½	17⅜	11⅝
Pay 'n Save	24⅞	25⅛	26⅜	16½
Scotts Seaboard [Scott's]	⅞	1¼	2¼	⅝
Wolohan Lumber	4½	4¾	5⅛	3

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Lowe's	9/25-4 wks.	$84,900	$70,300	21	—	—	—
Pay 'N Pak	8/31-2nd qtr.	52,934	49,319	7	$1,915	$1,859	3
Scott's	7/31-2nd qtr.	8,282	4,448	86	341**	318**	7
Scotty's	10/2-5 wks.	29,773	26,456	13	—	—	—

*$ in thousands
** operating income

Payless 3rd-qtr. net up 45%, sales 26%

KANSAS CITY, Mo.—Payless Cashways posted outstanding increases in both sales and earnings during its third quarter ended Aug. 28, company officials reported.

The 96-store chain saw net income rise 45% to $6.9 million on a 26% sales gain to $172.8 million in the quarter compared to the same period a year ago.

Officials attributed the growth to its efforts to gain additional market share through new store expansion, acquisition and "continued commitment to proven merchandising techniques and marketing strategies."

Payless opened five new units in the third quarter, including the Dunlap's unit it acquired from Southwest Forest Industries in Nora, Ind., earlier this year. It will open the two former Brookhart's stores it recently bought (*NHCN*, July 19) in Colorado Springs in the current quarter.

Third quarter results were also aided by a sales increase of 15% in stores opened more than one year.

During the quarter, the company sold 1.1 million new common shares to raise funds for capital expenditures and working capital requirements for new stores, distribution centers and store remodeling, officials said.

The company's capital expenditures, including 15 new units, will total $56 million for fiscal 1983, and will be financed by the stock offering, funds from operations, industrial revenue bond financing, borrowing from banks and approximately $17.5 million from a sale-leaseback arrangement which is expected to be completed by year-end.

Pay 'N Pak net up 3% in 2nd qtr.

KENT, Wash.—Pay 'N Pak, continuing to feel ill effects from the closure of automotives and sporting goods departments in 11 of its larger units, experienced only modest gains in sales and earnings during its second quarter ended Aug. 31, company officials reported.

Net earnings rose 3% to $1.9 million on a 7% revenue gain to $52.9 million, compared to the same quarter last year.

Lumber products are replacing automotives and sporting goods (*NHCN*, Feb. 15) which "were closed out at cost," chairman and ceo David J. Heerensperger said. He added that sales are being lost as the company makes the changes through this fiscal year.

He noted, "We are happy to report, however, that three of the newly remodeled stores are now complete and sales results are exceeding our expectations."

Scotty's posts 13% sales rise in September

WINTER HAVEN, Fla.—Sales from 14 Scotty's units added in the past year and from sidewalk-sale promotions helped the 98-store chain post a 13% volume gain in the five-week period ended Oct. 2, company officials said.

Scotty's September sales reached $29.8 million to help push the chain's first quarter volume to $75.7 million, up 8% from the same period a year ago.

Gotta gripe?

SEND US YOUR CARDS AND LETTERS. Voice your feelings, complaints or opinions on what you see happening in the world of home center retailing and in the pages of *NHCN*. Write to: The Editor, *National Home Center News*, 425 Park Ave., New York, N.Y. 10022.

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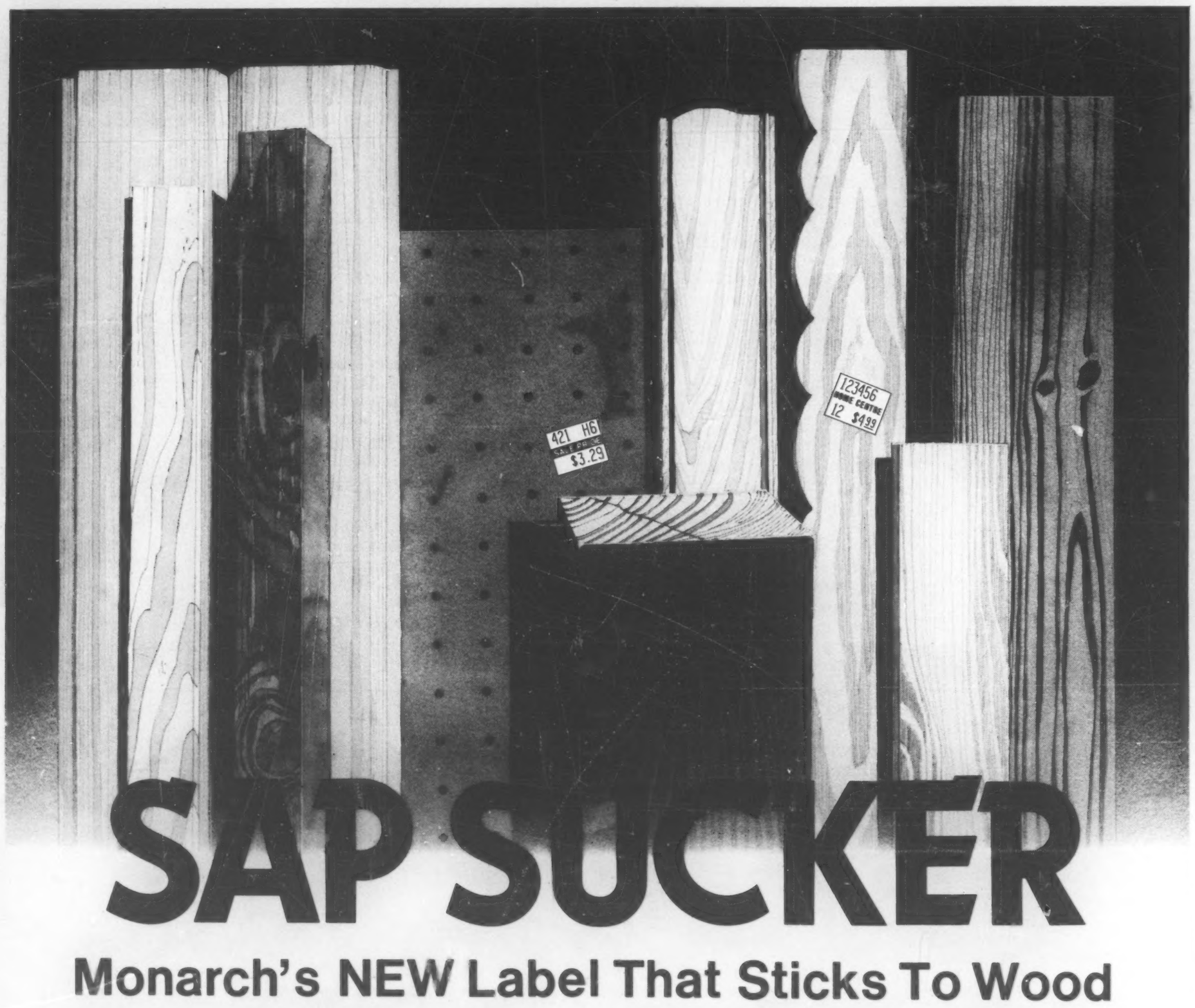

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National Home Center News®

Vol. 8, No. 24 — The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. — November 22, 1982 — $7 per year — $2 per copy

Surge in chain saw sales helps offset 1½-year slump

By John Caulfield
NHCN associate editor

NATIONAL REPORT—Sales of chain saws, particularly those in the $175-$250 range, surged unexpectedly in September and October, giving home center dealers and their vendors some cause to claim that the market's year-and-a-half erosion has abated—at least temporarily.

There were 1.8 million gas and 450,000 electric chain saw units sold in 1981, a 30% drop from the previous year. In the first eight months of 1982, retail sales plummeted another 35%, according to Chain Saw Manufacturer Assoc. (CSMA) figures. September consumer purchases, however, were down only 13%, and preliminary indications showed the product was moving briskly in October.

While sales were expected to pick up after summer, dealers were surprised by this surge after the steep decline. That decline is attributed not only to market saturation, but also to competition from the burgeoning kerosene heater industry which has dampened interest in wood burning stoves.

Dismal sales probably played a role in last month's decision by Black & Decker to sell its McCulloch chain saw division, which lost $24 million in fiscal 1982.

Home centers are expected to stock fewer saws and buy more cautiously in 1983, concentrating at the higher end.

"About five years ago everyone went crazy when McCulloch came out with its inexpensive Mini-Mac," recalled Harry Miller, buyer for Chicago's Gee Lumber. "Go to any cocktail party and the host was always dragging you down to his workshop to show off his chain saw. Well, that was never the *real* chain saw market and those customers are gone."

Don Purcell, CSMA president, added that most consumer activity is happening at the $200-plus price point.

"Purchasers, especially second-time buyers, are stepping up to a better product, and there are simply not as many first-time consumers looking for low-end chain saws as there were."

The 30-unit Busy Beaver chain in Pittsburgh, for example, now carries 40-50 saws per store, but will probably cut that in half next year, according to buyer Tony Clark, who called overall product sales "pretty good."

He took on three sku's of Homelite saws in August to accompany the five McCulloch sku's the chain carries, and he plans to run major tab promotions on the products around Christmas and two weeks after. He was able to arrange a "special buying deal" to facilitate his inventory and advertising requirements because, "there's a lot of unsold chain saws on the market, and vendors are very

(Continued on page 28)

EFT networks attempting to convert DIY skeptics

By Molly Brauer
NHCN field editor

NATIONAL REPORT—Experts in a growing network of electronic funds transfer systems predict that home centers will soon be on the receiving end of a revolution in the way Americans pay for their purchase over the next five years.

Electronic funds transfer (EFT) at the retail point of sale will be accomplished by instant switching of funds from customer accounts to merchant accounts through the introduction of some simple equipment similar to that used in automatic teller transactions.

While home center merchants are rapidly adapting to computerized technology for inventory control, they tend to be wary of the so-called revolution in EFT, and none are using direct-debit cards at present.

EFT experts point to a variety of benefits to home centers that would join financial institutions in "switch" networks enabling a customer's money to be instantly transfered from their bank account to the retailer's at checkout.

The use of direct-debit cards, they say, will quicken transaction times, increase customer convenience, attract customers who prefer this method of payment, eliminate bad check risk, lower short-term borrowing expense, and increase interest income from cash flow.

Home center financial officers doubt these predicted benefits. The question of who will foot the operating costs of these systems is still an open one in their minds.

"People aren't fools; they're going to wonder what they have to gain by losing the use of their money," said Clayton Griffing, senior vp finance at Lowe's in questioning the public's willingness to accept direct-debit through point-of-sale processing.

(Continued on page 28)

Sher's warehouse stores readied for March debut

FORT LAUDERDALE, Fla.—Former Lindsley executive vice president Pat Sher will debut his first two Home-Owners Warehouse outlets here in March and plans to add two more south Florida stores during his first 12 months in operation, in what could be the

industry's first real showdown between home center warehouse outlets.

Sher's entry into the Miami-Fort Lauderdale market pits him against four Home Depots and Scotty's experimental Thrifty outlet in Hollywood, all of which use warehouse-style merchandising.

This is the first instance of head-to-head competition between warehouse-style chains, which until now have been successful competing against traditional home centers.

While Sher is convinced that the warehouse approach is the future of DIY merchandising in metro areas, launching of Home-Owners Warehouse announced last spring, (*NHCN*, May 10) was delayed somewhat because investors were wary of the economy, he indicated.

Sher says he is optimistic about competing against Home Depot, an originator of the

(Continued on page 29)

NEWSBREAKS

HOUSING OPTIMISM CONTINUES. Declining mortgage rates have spurred more interest in home buying, according to a survey conducted last month by the National Assn. of Realtors. Of brokers contacted in 25 of the nation's largest metropolitan areas, 61% reported increased home buying activity, and 50% said that the rate of home sales during the first three weeks of October was greater than in the same period during September.

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Anderson aims at 50% from DIY

BOUNTIFUL, Utah—After 92 years serving contractors, Anderson Lumber, a 21-unit chain, has shifted gears with an aggressive new strategy aimed at building DIY sales from one-third of the business to 50%.

A major step forward for the $55 million chain was the remodeling of its Bountiful store, which will be followed by similar efforts at four other units in Ketchum, Idaho; Park City, Utah; Rupert, Idaho and Tremonton, Utah. In addition, a $4 million, 40,000-sq.-ft. flagship home center in West Jordan, Utah, is planned for next year.

The DIY emphasis was unmistakable at the "Grand Re-Opening" of the Bountiful store late last month. A promotional aisle featured such loss leaders as a 40-piece socket set for $3.99, an Uncle Henry knife with leather sheath for $14.98 and 6-packs of soft drinks.

The company has gradually been evolving toward a 50-50/contractor-consumer mix, said James C. Beardall, president and ceo. Women now represent 40% of the stores' traffic, up from zero only a few years ago.

The Bountiful remodeling cost about $250,000. A 14-acre site has been purchased in West Jordan, Utah, for the flagship store. Future expansion is also slated in Rock Springs, Wyo., where five acres have been acquired and Vernal, Utah, where four acres were recently purchased.

Anderson Lumber opened no new home centers in 1982, but did open three stores in June and July 1981 in St. George, Utah; Cedar City, Utah and Evanston, Wyo.

The Bountiful store remained open for business during the two-month remodeling period. The new store is 8,840 sq. ft., with 7,550 sq. ft. devoted to retail selling space, an increase of 65% over the site's former 4,577-sq.-ft. selling floor and 5,720-sq.-ft. total size.

The remodeling project included installation of a new pricing and receiving room built into the existing warehouse, which was outfitted with new steel racks for plywood. The 4½-acre site was given an additional 26 parking spaces and a vestibule was built into the front entrance.

Special features of the remodeled store include a separate contractor service center with its own entrance. For customers with questions about DIY projects, an "Answer Center" was built at the end of the main promotional aisle.

Older wrought-iron signs have been replaced with new

(Continued on page 28)

Anderson Lumber president James Beardall is piloting the 92-year-old Ogden, Utah-based chain on a new, aggressive course in pursuit of DIYers. NHCN photo

DIY Industry update

Chain president buys Sunset

TUCSON, Ariz.—In a deal valued at $2.03 million, five-unit Sunset Industries has been bought by the home center chain's chairman and president, Harold Kitay, and members of his family.

Prior to completion of the transaction Nov. 2, Sunset Industries was a publicly held company. Kitay and his family purchased 406,000 shares outstanding at $5 apiece to take control of the company.

Sunset, with estimated 1982 sales of $11 million, runs four stores in southern Arizona under the trade name Handy Andy and one store called Sunset Lumber & Distributors.

Under terms of the deal, a newly created company called New Sunset Inc., controlled by Kitay, acquired Sunset Industries' stock.

L-P/Sutherland deal still pending

PORTLAND, Ore.—Louisiana-Pacific officials continue to refuse comment on negotiations under way to sell the company's seven-unit home center chain (*NHCN*, Oct. 25).

"I have no new news on that," spokesman Barry Lacter said, declining to confirm or deny that Sutherland Lumber is interested in acquiring LP Home Centers in California.

In an unrelated move, Louisiana-Pacific announced it has reached an agreement in principle to sell its Rocklin, Calif., medium density fiberboard plant to Roseburg Lumber, a privately owned forest products company based in Oregon.

Lacter said the sale was required by the Federal Trade Commission as part of Louisiana-Pacific's 1978 acquisition of Fiberboard Corp. The Rocklin plant has an annual capacity of 75 million sq. ft. on a ¾-in. basis.

Terms of the agreement were not disclosed.

Diamond merger meeting set

NEW YORK—Diamond International stockholders will meet Dec. 1 to consider a definitive agreement to merge the company with one in which British financier Sir James Goldsmith is affiliated.

If holders of 85% of the outstanding Diamond common stock approve the agreement and certain other conditions are met, each stockholder will receive $44.50 in cash per share tendered in the merger. Holders of record of Diamond stock as of Nov. 5 are eligible to vote at the meeting.

Recently, Diamond has been selling off some of its holdings, but its retail division seems destined to stay part of the company.

"I'm led to believe that Sir James wants us because we are making money and doing well," said Diamond's retail vice president Richard Cushman. "Every nuance that he has given to us indicates that he likes our team, that we're doing a good job and that he's hopeful for us in the future.

"Our 1983 budgets are based on the continuation of our business as is."

Diamond operates 118 homes centers throughout the country.

In the third quarter ended Sept. 12, Diamond officials said, the retail division was profitable but was performing "well below its characteristic earnings pattern reflecting low construction activity and reluctant consumer spending in the weak national economy."

Specific retail figures were unavailable, but overall, Diamond had a 33% increase in net income to $7.3 million although sales from continuing operations decreased 8% to $232.6 million in the 12-week quarter compared to the same period a year ago.

Goldsmith's Diamond Acquisition Inc. has secured a detailed commitment letter from several banks to borrow $455 million needed to finance the merger.

Generale Occidental S.A. of which Goldsmith is chairman holds nearly 40% of Diamond's 13.7 million common shares.

Hechinger development fund to repay loan, revitalize area

WASHINGTON—Hechinger Enterprises will channel the repayment of a $3.2 million Federal loan into a special fund set up to revitalize Washington, D.C.'s northeast corridor in a unique move by the home center chain to bring new business to the area.

The plan represents "the first time that Urban Development Action Grant loan repayments have been utilized to leverage other private monies," Hechinger president John Hechinger Sr. said. The Government loan was used by the home center chain to build the 40-store Hechinger Mall in northeast Washington last year.

Rather than repay the loan to the Government, Hechinger asked Housing and Urban Development and D.C. officials if the money could be used as a catalyst for economic growth in the community. With their approval, the home center chain set up the Community Foundation's Northeast Urban Revitalization Fund which will receive payments totaling $3.2 million over the next 20 years.

During the first three years, repayments will be earmarked for an advisory fund that will review projects proposed for funding. Hechinger officials said that "assistance will be flexible, including grants, loans at below-market interest rates, loan guarantees, guaranteed lines of credit and technical assistance."

Future installments will be used for the "furtherance of minority business development and other economic revitalization activities in the H Street, N.E. urban renewal area," Hechinger maintained.

H.U.D. officials applauded the plan, maintaining that the "community will benefit twice" from the same loan. Hechinger officials said that the original loan created jobs, new tax revenues and community services and that the new plan will provide additional "ripple effects" for the city.

In addition to the revenues provided by Hechinger, the Greater Washington Community Foundation agreed to match their funds, and since 1981 has already succeeded in raising $1.3 million, Hechinger said.

All American expects $ savings from energy management system

DOWNEY, Calif.—Ray Wolfe will never forget the night the lights went out at All American Home Center.

The independent had just installed its new, $30,000 Scientific-Atlanta energy management system. But the store was plunged into total darkness at 9:20 p.m., during All American's monthly department head meeting.

"It was embarrassing," said Wolfe, store manager and in charge of All American's brand-new, computer-run lighting, heating and air-conditioning system.

Wolfe's programming abilities were only in doubt for a few moments. The power failure was traced to a source outside the home center, and within six minutes lights were restored and the meeting continued.

In fact, said Wolfe, the Scientific-Atlanta system has had few if any glitches since its installation last May by Pacific Management Inc., Torrance, Calif. The system's payback period was expected to take nine months, but Wolfe said the recently completed building materials department expansion has created additional lighting consumption, extending the payback period an additional three months.

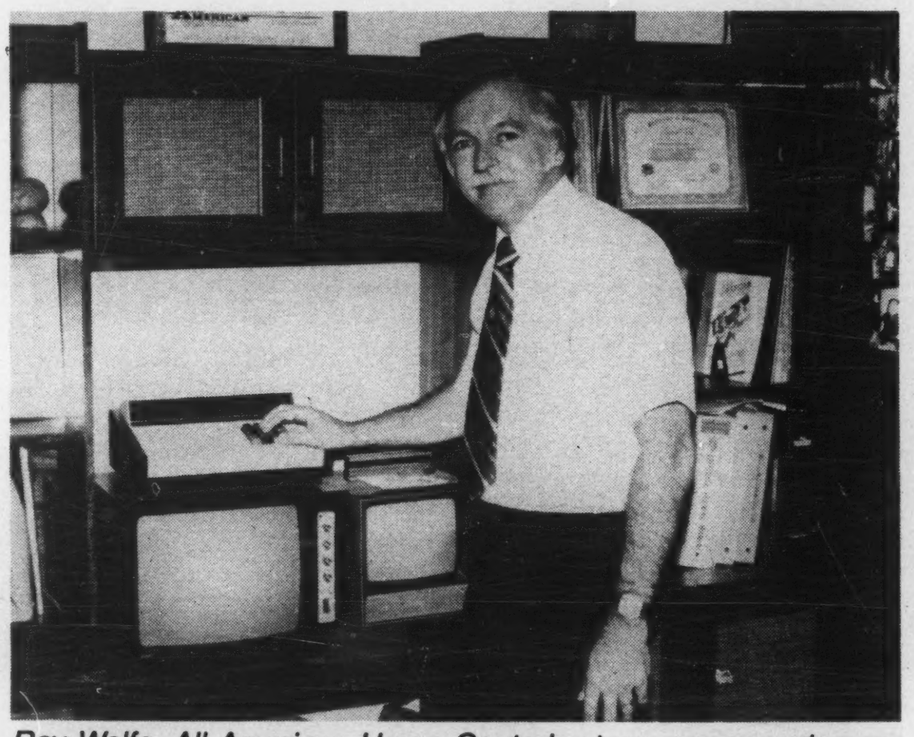
Nonetheless, All American will reduce its $148,886 annual energy costs by $16,137 in the first 12 months, Wolfe said. The savings is significant because energy costs in southern California are increasing 20% yearly.

Wolfe is particularly pleased with savings associated with lighting costs. All American is reducing total kilowatt usage by 90 minutes a day, amounting to a $6,500 yearly savings. The cut in lighting costs is achieved through precise scheduling of the store's 277 fluorescent bulbs hooked into the system. In addition, the system uses photo cells to eliminate the unneeded use of lights near skylights and exits during daylight hours when outside light is sufficient.

At the heart of the system is a display unit that is attached to a master-control keyboard manually programmed by Wolfe. From there, existing power wiring transmits "control" signals to remote switches that turn on and off the various units. Wolfe said this system eliminated the need for time-consuming and costly installation of additional wiring.

He explained that the master control unit sends a high-frequency signal through the electrical wiring to the remote control units located on air-conditioners, heaters and lights. Wolfe has included the newly finished building materials department under the

(Continued on page 27)



Ray Wolfe, All American Home Center's store manager, demonstrates the wireless Scientific-Atlanta Commercial Energy Management System recently installed in the 160,000-sq.-ft. Downey, Calif., outlet.

NHCN photo

Met intros phone order service

NEW YORK—Metropolitan Lumber and Hardware, the three-store chain based in midtown Manhattan, has taken another step in its aggressive pursuit of this specialized urban market with the introduction of an order-it-by-phone service.

The program was launched late last month in one of Metropolitan's weekly *New York Times* ads, where the company regularly refers to itself as The Met, an echo of New York sports and culture.

The service is aimed at busy New Yorkers who have learned to let their fingers do the walking and possibly their secretaries do the calling, since corporate accounts are specifically welcomed.

Free delivery is provided on orders of $100 and more, with a $15 delivery charge added to purchases below that minimum. With two stores in Manhattan and one in Queens, the company's program is aimed basically at those boroughs.

A wider delivery radius may be possible with larger orders, a Metropolitan spokesman said.

All calls are routed through the midtown store on 11th Avenue between 45th and 46th Streets to eliminate confusion and provide assistance in product selection for DIY-ers.

National Home Center News

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 8, No. 24 November 22, 1982

NHCN Report: Retail Management Systems

Independents turning to in-house computers

By Wyatt Kash
NHCN executive editor

NATIONAL REPORT—Approximately half of the nation's independent home center and building material dealers in a new poll now use in-house computers for billing and accounts receivable and to prepare sales analyses.

Another 35% use their own computers to control inventory. In fact, dealer-owned computers are even being used for financial analysis by 29% of today's dealers.

While major home center chains have been using high-powered computers for more than a decade, in-house computers have now become an inevitable investment for nearly every independent home center operator.

A survey due to be released this month, however, by the National Lumber and Building Material Dealers Assn., Washington, sheds new light on where computers are being applied, the criteria behind their purchase and why many dealers are still reluctant to plug in to the technological realities of running a business in the 1980's.

In-house computers are used most frequently to process accounts receivable and billing operations, according to 116 NLBMDA members and 40 more belonging to the Middle Atlantic Lumbermens Assn.

On average, those dealers generate $6,038,535 in sales volume, carry $1,061,752 in inventory and have $601,771 in accounts receivable. Lumber and building supplies account for 68% of their product sales;44% of their business is retail, 45% is to contractors and 11% is from "other" types of business.

A total of 87 dealers, or 56%, now use in-house computers to handle accounts receivable operations, compared to about a fifth of the dealers who still use bookkeeping machines; 15% perform the operation manually, and 10% use an outside service.

While billing is done using an in-house computer by 49% of the dealers, one-third still prepare invoices by hand. The task involves processing 3,664 cash invoices and 3,823 charge invoices a month, dealers reported on average.

Only a handful, or about 8%, use computers to process purchase orders, which are still done by hand at 78% of the dealers.

Inventory control is also maintained manually by 55% of the dealers, although 55 of the 156 respondents now use in-house computers to control an average of 3,344 inventory items. Not all items carried by the dealers are actually controlled using computers, however.

One aberration in the growing use of computers occurs in the processing of payrolls, the survey showed. While 38% of the dealers use in-house computers to handle payroll operations, 25% now use outside services to tackle the job; 26% do it by hand and 10% use bookkeeping machines.

Dealers are also using outside services in 14% of the cases to conduct a financial analysis of their company; 48% still do it by hand, but 29% now have their own computers programmed to analyze the financial health of their operation.

The cost of computers has by no means been cheap. Of those now using in-house computers, the initial cost for equipment, software (the programming used to perform the various accounting operations) and service averaged $63,819 and does not include an average $791 per month in maintenance and license fees.

However, 94% of those respondents said the cost was justified; 6% said it was not.

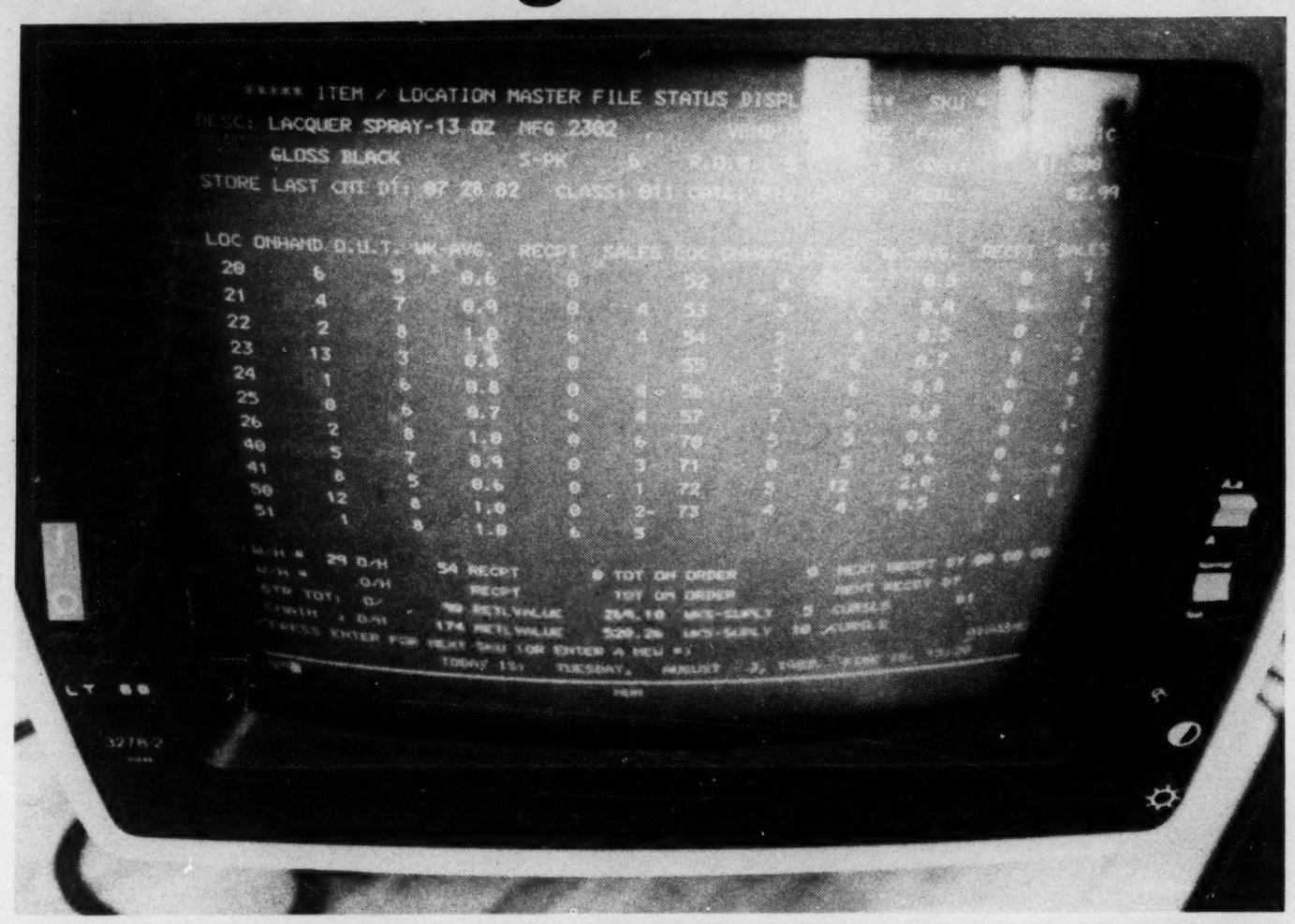
When viewed in light of ongoing costs, in fact, computers proved relatively economical: monthly charges for bookkeeping equipment average $529, while charges for outside service firms average $1,710 per month for those who use them. Outside agencies are still a viable alternative for some dealers, since the initial cost typically averages $1,750 among the dealers surveyed.

Overall, 4 out of 5 dealers using in-house computers said that accounts receivable, inventory control and sales analysis programs provide over 80% of the benefits to be derived.

Dealer satisfaction with computer supplies, however, indicates there is still plenty of room for improvement on the part of vendors in helping dealers get their systems on line.

While 77% of those now using in-house computers said computer companies "had provided quality service as expected," only 61% were satisfied with the training provided by those companies.

Dealers said the primary reasons they chose the system they did were reliability, followed by service, ease of use and vendor training programs and operating manuals.



More than half of the independent home center and building material dealers polled by the NLBMDA use company-owned or leased computers for some of their day-to-day accounting chores.

Altogether, 59% of the dealers ranked their satisfaction with in-house computers as "high" while 39% said it was "medium" and only 2% said it was "low."

By and large, a higher proportion of dealers with sales volume in the $2 million to $5 million range appear to be using in-house computers than those with sales in excess of $5 million or less than $2 million.

While the NLBMDA survey indicates that in-house computers are becoming increasingly prevalent among independent dealers, the fact remains that more than half of the dealers surveyed have yet to incorporate computers in day-to-day operations, with the exception of accounts receivable operations.

Most dealers cite the purchase price as the primary reason they have put off buying computer equipment. However, the second-most frequently mentioned reason is a lack of confidence in the service capabilities of manufacturers. Many dealers noted that the "nightmarish" experience of other dealers has also influenced their decision not to purchase.

Two other objections exist, dealers say. One is difficulty of effectively evaluating competing computer systems—a problem the NLBMDA has attempted to address with a concurrent survey of leading computer system suppliers catering to the retail building supply field. (See story, page 12.)

The other concern is for the security of company information. Some dealers fear information could be lost or manipulated with a potentially disastrous effect on business.

Most dealers who have taken the computer plunge however, have found these fears somewhat unfounded. Of more concern to them are the problems that accompany life after marriage to high technology.

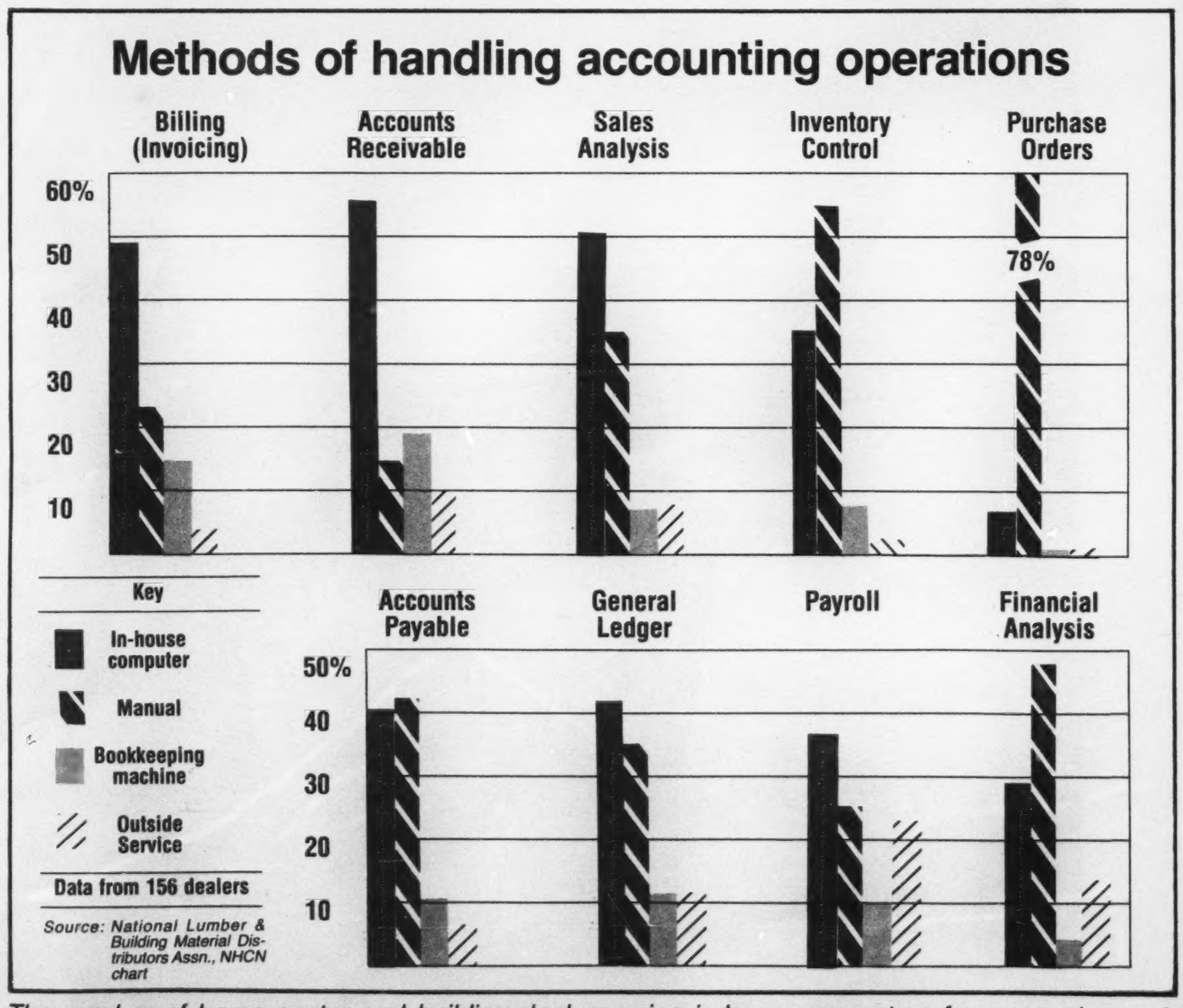
"In a small company, management does not have much time to use the system efficiently or be able to learn what it can do," lamented one dealer.

"The concept of our system is superior," noted another dealer, "but the application is very poor."

Many dealers complain that the hardware service is better than the software service. But more than one dealer commented that now that the system is running, "We're glad we have the ability to expand the system."

Whether computer systems will be commonplace in home center operations is no longer a question. For most dealers, it is more a matter of when, and how efficiently it can be put to use.

Industry observers note, however, that declines in computer equipment costs, along with the increasing availability of sophisticated programming tailored to building material dealers' needs have accelerated the pace at which dealers are now acquiring systems.



The number of home center and building dealers using in-house computers for accounting and general ledger chores now exceeds the number of those using manual systems, although inventory and purchasing operations are still done more often by hand, according to an NLBMDA poll.

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Profile: The Hechinger Co.—Pp. 12,57

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National Home Center News®

Vol. 8, No. 25 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. December 6, 1982
$7 per year $2 per copy

Sears slated to open separate home centers

New in-store look gives a glimpse of future Sears

HOUSTON—Sears has introduced what promises to be a major new look in its home improvement departments; and if the prototype unveiled here at Willowbrook Mall is any indication, the thrust is clearly aimed at winning a bigger chunk of DIY and home improvement business.

The new design, which debuted here in late October, represents a significant overhaul in product grouping and presentation.

Perhaps the most noticeable change is the new fixturing: the usual 5-ft. gondolas have been replaced with 6-ft. fixtures bearing attractive red-block panels set in chrome frames along the endcaps.

Together with new, bolder graphics, and a well-lit back wall treatment featuring more than 30 running feet of hand tools alone, the department strikes a brighter, more distinctive image, based on *NHCN*'s inspection.

Sears has moved to 6-ft. gondolas from 5-ft. fixtures in its Willowbrook Mall prototype in Houston. The new fixtures are part of a chainwide remerchandising effort to put more on the floor and provide better self-sell service to customers. NHCN photo

The new fixtures permit the stocking of more merchandise on the floor than Sears has presented in the past, lending a feeling of increased product depth and category dominance.

That feeling is enhanced by the new design, which has attempted to group related products more logically—particularly electrical, plumbing and hardware items and hand and power tools—making cross-merchandised products easier to find and simpler to buy.

In the past, observed one Sears buyer within the department, product adjacencies were often arranged more on the basis of who buys the product line at headquarters rather than how the customer shops for the items in the stores.

(Continued on page 64)

Two freestanding units are due in early 1983; 200 stores a possibility

CHICAGO—Sears, Roebuck & Co. is reportedly on the verge of opening at least two freestanding home improvement centers in southern Florida during the first quarter of 1983, *NHCN* has learned.

John Parson, Sears' vp-home improvement group, through a spokesman "reserved comment" about the reported move, but sources familiar with the $18.2 billion retailer's marketing strategy revealed that Sears would soon be operating 20,000-30,000-sq.-ft. home centers that would anchor strip malls.

The stores, reportedly to be called "Sears Hardware/Home Improvement Centers," would be an addition to the home improvement departments in the chain's 851 stores that stock about 10,000-15,000 sku's in 10,000-12,000-sq.-ft. areas (*NHCN*, Aug. 16). Pending the results, sources claim that Sears might roll out up to 200 home center units nationally by 1986.

In the new units, Sears would extend the basic home improvement product mix of its larger department stores by beefing up its power tool and outdoor power equipment lines, putting greater emphasis on lawn and garden products, bathroom vanities, and roofing accessories.

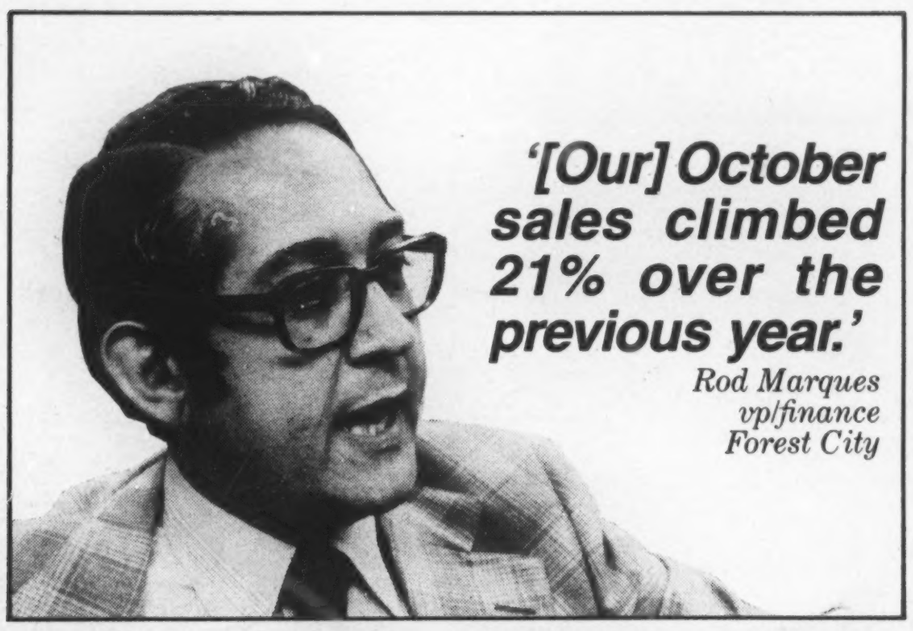
Both articles on Sears were prepared by NHCN *executive editor Wyatt Kash and associate editor John Caulfield.*

It was uncertain at presstime, however, whether the company would stock lumber and building materials in the freestanding stores. Several years ago, Sears experimented with paneling and precut lumber in some of its larger units, but reportedly was dissatisfied with the products' turnover and was unconvinced the overall sales justified the floor space allocation.

However, part of the corporation's overall strategy over the past three years has been to accelerate the "one-stop shop-

(Continued on page 64)

Home centers outperforming mass retailers



'[Our] October sales climbed 21% over the previous year.'

Rod Marques
vp/finance
Forest City

NATIONAL REPORT—The financial community digested October retail sales with a lump in its throat, as lead companies reported declines or miniscule rises in sales, but home center majors chalked up October sales increases topping 20%.

Three of the nation's four top retailers posted sales declines in October while the No. 1 retailer, Sears, achieved a slight 3.8% increase. K mart's sales dipped 2.1%, J. C. Penney's fell 2.4%, and the F. W. Woolworth Company's sales dropped 2% in a month that analysts had predicted would show retail sales increases of 7%-8% over October 1981.

By contrast, home centers took the banner for October sales; 84 Lumber jumped 27%, Forest City was up 21%, Busy Beaver and Knox Lumber both rose 20%, Boise Cascade climbed 13%, and Scotty's nudged up 4%. Other home center chains posted "significant" sales increases in October, but did not disclose exact percentages at presstime.

This bright spot in the retail scene hinges on consumer needs more than merchandising magic. Home center executives cautioned that the sanguine sales tallies of major

(Continued on page 63)

Hechinger's unique style and success has made the giant home center chain an industry trendsetter. NHCN ***probes the reasons behind the rise of this phenomenal company in a special report which starts on page 13.***

Video accessories set hot sales pace

By Molly Brauer
NHCN field editor

NATIONAL REPORT—Video accessories for cable TV and video cassette recorders have barely been on home center shelves six months, but already, dealers report sales are surpassing those of basic television accoutrements such as antennae and wiring.

Among the chains carrying the items, Builders Emporium, Irvine, Calif., now estimates it will garner half a million dollars from video accessory sales during its first year in the program, which began six months ago.

Few home centers carried video accessories prior to last summer.

However, in recent months, Pergament, Handy Andy, Rickel, Home Depot, Lowe's and other major chains began carrying switches for video games, coaxial cables, splitters and adapters, with nearly all reporting "better than expected" sales.

Sandor Garfinkle, president of Gemini Industries Inc., Clifton, N.J., a leading manufacturer of video accessories that supplies Builders Emporium, Rickel, and other chains, commented, "Our home center customers outperform our discount chain customers on this product," adding that "electronics stores traditionally underperform home centers."

He estimated that 60% of the homes in the United States currently have some combination of cable, VCR, video games or home computers.

Home centers seem to have no problem selling video accessories even if salespeople are unacquainted with the products.

"Most of the products are easy to display, and customers are sophisticated," according to Bernie Vengrow, electrical

(Continued on page 64)

NEWSBREAKS

NEW RETAIL SERVICE. Plywood Ranch president Charles Rosen is forming a new company, Associated Home Centers, to provide management, advertising and merchandising services to independent home center retailers. The company will work through building material wholesalers with Rosen serving as president and former Handy Dan and Handy City executive Joe Samulin as vice president.

INSIDE

HOUSING permits for October rise 18%, giving building-related industries cause for optimism ..... page 2
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HAND truck sales boom despite increasing imports 3

DIY Industry update

L-P's sale to Sutherland is off

PORTLAND, Ore.—Louisiana-Pacific's negotiations to sell its seven-unit California home center chain to Sutherland Lumber have ended, and a company official said the stores are still "on the selling block."

The tentative agreement between El Segundo, Calif.-based LP Home Centers and Kansas City-headquartered Sutherland reportedly collapsed over issues dealing with the sites' long-term leasing arrangements.

Sutherland currently has three home centers in southern California and is reportedly looking to expand its stake in DIY retailing there. Louisiana-Pacific bought the home centers from Lone Star Industries in 1979 (*NHCN*, Oct. 25).

B.E. nixes a Sigoloff spot

IRVINE, CALIF.—Builders Emporium executives have decided against airing one of three 30-second commercials Wickes' ceo Sanford Sigoloff taped for the chain.

The BE officials' reasoning had nothing to do with Sigoloff's abilities as television pitchman. BE rejected the ad because of the message Sigoloff delivered.

In the spot, originally intended to be aired this month, Sigoloff explains a promotion in which holiday shoppers will receive a discount card entitling them to a 15% discount on January purchases. Sigoloff says, "It's our gift to you for buying from us."

The Sigoloff promotion was designed at Wickes headquarters in Santa Monica, but a BE official explained, "It did not fit in with our promotional program for January so it is not being run."

Two other commercials Sigoloff taped in September at a nearby BE in San Juan Capistrano, Calif., that began last month are still scheduled to run in December (*NHCN*, Oct. 25).

Hechinger plans Charlotte entry

LANDOVER, Md.—Hechinger, the 34-store mid-Atlantic chain, will open two Charlotte, N.C., stores in March 1983.

The prototype units, with 60,000 sq. ft. of indoor space and a 20,000-sq.-ft. outdoor garden area, will be carved from existing Zayre stores.

The two stores are part of Hechinger's recently announced move into North Carolina, with the first store expected to open in February 1983, in Winston-Salem. It will be located in a former King's Department store.

Other North Carolina cities targeted by Hechinger include Greensboro, Durham and Raleigh.

Speakers slated for Dallas

CHICAGO—Sanford C. Sigoloff, who took the helm of troubled Wickes Cos. earlier this year, will present a "State of the Company" address on opening day of the National Home Center/Home Improvement Congress in Dallas on Feb. 27.

Sigoloff will be one of four speakers scheduled to address the annual exposition. Stanley Marcus, former chairman and chief operating officer of Neiman-Marcus Co., will be the keynote speaker for the show, addressing the opening session. His topic will be, "The Quest for the Best."

David Stanley, president and ceo of Payless Cashways will speak on "Market Strategies for the Home Center Industry," and Joe Samulin, industry consultant and columnist will discuss "Operating Strategies for the Home Center Industry."

At presstime, more than 93% of available space in the seven exhibit halls of the Dallas Convention Center had been sold for the home center show, according to John Berry, director of convention services.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 8, No. 25. Copyright© 1982 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10016. For change of address six weeks notice to Subscription Department, 99 Park Ave., New York, N.Y. 10016 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 8, No. 25 December 6, 1982

NBMDA wholesalers raise issue of inflationary price hikes

LOS ANGELES—Building products distributors expressed concern here last month that renewed home building activity expected early next year could have a "very explosive" impact on prices.

The possibility of substantial price hikes was one of several issues raised by distributors and manufacturers at a council meeting during the 31st annual fall convention of the National Building Material Distributors Association.

"The difference between shortage and surplus is a very few percentage points," remarked Carl E. Miller of Associated Building Material, Green Valley, Ariz.

The comment referred to the fact that despite excess capacity existing for many building products manufacturers, a surge in demand could create near-term shortages in the lag to get plants running again. That in turn, distributors fear, could send the prices of lumber, plywood, roofing, gypsum and other commodities skyrocketing from their current two-year lows.

"A 10% run-up in prices wouldn't surprise me," said J. Hays Wimsatt, of Wimsatt Brothers, Louisville, Ky., and outgoing president of the NBMDA.

(Continued on page 63)

Amerhart Ltd., Green Bay, Wis., was named Wholesaler of the Year at last month's National Building Material Distributors Assn. convention. Dick Krause (l.) and Dick Kasper (r.) accept the award from outgoing NBMDA president Hays Wimsatt (2nd from l.) and S. M. Van Kirk, the award's namesake. NHCN photo

Goodman Lumber teams up with PG&E to promote interest-free energy loans

SAN FRANCISCO—Goodman Lumber is working with Pacific Gas and Electric, the northern California utility, to help promote an interest-free loan program and has picked up a 60% sales increase on some energy saving products.

The San Francisco area's good fortune in the form of zero interest loans from the local utility paid off for Goodman Lumber.

The 50-month, interest-free loans are being offered to homeowners who are making their homes more energy efficient. Up to $1,000 is being made available to homeowners who install any of six energy-saving products—caulking, weather stripping, low-flow shower heads, duct wrap, water heater blankets and insulation. Additional funds, up to $3,500, are available to homeowners who undergo an on-site audit by PG&E.

PG&E hired a public relations firm, Ketchum Communications, and gave the company $1.2 million to promote its

(Continued on page 63)

Declining interest rates boost housing permits

NATIONAL REPORT—Housing figures for October continued to give building-related industries cause for optimism.

Although the increase over September for both total and single-family seasonally adjusted starts was only 1%, in both cases permits continued to rise, by 18% and 13%, respectively.

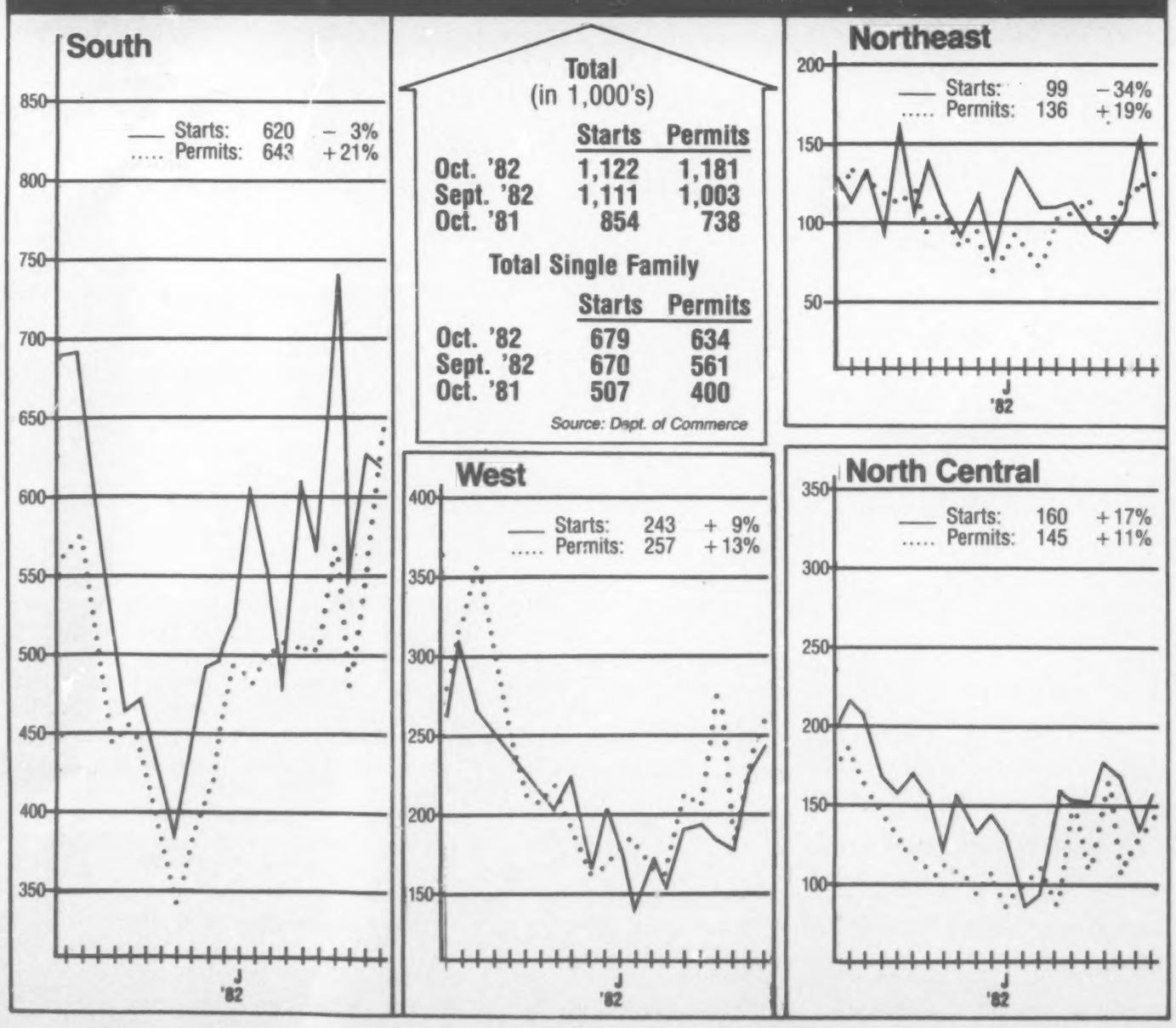
There were 1,181,000 permits for future housing filed during October, on a seasonally adjusted basis, a level that has not been reached since April 1981.

Permits for total housing were 60% ahead of a year ago, seasonally adjusted. The number of seasonally adjusted single-family permits, 634,000 was 58% ahead of a year ago.

Total seasonally adjusted starts numbered 1,122,000. For single-family units the figure

(Continued on page 63)

October home-building activity



LUMBER REPORT

U.S. Coalition seeks large duty on imported Canadian lumber

By Hawk Furman
Special to NHCN

In the largest countervailing duty petition ever filed in the United States, the U.S. Coalition for Fair Canadian Lumber Imports is looking for a $120 per 1,000 board feet duty on lumber imported from Canada into the United States. If the petitioners are successful, this would mean a 65% increase in the price of Canadian lumber, shingles and shakes, and fence, over today's prices.

The Coalition is a powerful group that means business and has spent a great deal of effort in time and money before presenting their two volume, 500-page petition to the International Trade Administration and International Trade Commission.

The players

The Coalition for Fair Canadian Lumber Imports is made up of a group of eight trade associations and more than 350 companies. They charge in their petition, "The subsidies provided to the Canadian softwood product industries are major and widespread. The most significant subsidy is a stumpage subsidy. Other Canadian subsidies include grants, preferential financing, transportation assistance, labor aid, and tax advantages." The Coalition claims that in one year reviewed, a duty of 65% on Canadian lumber products was required to put the United States manufacturers on a competitive basis with Canadian manufacturers.

Those opposed to the petition include the Canadian Softwood Lumber Committee, which is an umbrella group representing 10 lumber associations across Canada.

Don Lanskail, president of the Council of Forest Industries, chairs the committee. The North American Wholesale Lumber Association, the National Association of Home Builders, and the Manufactured Housing Association are strongly opposed to the petition. The International Woodworkers of America, many remanufacturers in the United States, and other parties have spoken out against the petition.

I.T.A. and I.T.C. roles

The petitioners have filed a single petition with the I.T.A., which has the responsibility to investigate if a subsidy exists. The petitioner recognizes that the softwood lumber industries of lumber, shingles and shakes, and fence are separate industries and have filed three separate injury claims with the I.T.C. Its role is to determine if injury has occurred to the United States manufacturers.

The I.T.A., after reviewing the petition, determined on Oct. 27, to proceed with an investigation into possible Canadian subsidies. They are now conducting an investigation.

The I.T.C. held preliminary hearing for lumber on Nov. 3, fence on Nov. 4, and shingles and shakes on Nov. 5. At this time, each side had one hour to present their cases. There was no cross-examination. The Canadian Softwood Lumber Committee, North American Wholesale Lumber Association, and the National Association of Home Builders presented the oppositions' case.

On Nov. 22, the I.T.C. planned to announce whether it would proceed with an investigation or not. If they proceed, the investigation would start and a final decision would be rendered on July 7, 1983.

It is important to note that *both* subsidy and injury have to be proved for the countervailing duty to be implemented. If either subsidy is not found, or if injury is not proven, the petition will be thrown out.

March 7, 1983 is an important date. A temporary tariff could be put into effect. If in July, the I.T.C. finds injury caused and the I.T.A. rules a subsidy exists, the countervailing duty will be instituted and will be retroactive to March 7, 1983. It could even precede March 7, if the commission finds a significant surge of lumber products to the United States from Canada before then.

Industry information

Canada and the United States have different methods of determining stumpage prices. About 95% of all timberland in Canada is owned by the Federal or Provincial governments. The stumpage price they charge reflects the market price of manufactured goods. The higher the sale price of the finished goods, the higher the stumpage cost is to the manufacturer. The truth of the matter is that the Canadian mills are not predatory. They are in the same position as the United States mills with red ink flowing. The top 15 lumber producers in British Columbia stand to lose over $500,000,000 in 1982.

Production in Canada is running at 70%-80% capacity as it is in the United States. Labor costs and manufacturing costs are higher on average in Canada than in the United States. Some timber in the Pacific Northwest recently sold for as low as $60 per thousand board feet on the stump. If this is the case, how can the Canadian stumpage be subsidized by $113.78 per thousand board feet as stated by the petitioners? Canadian lumber ex-

(Continued on page 16)

FUTURES

Two weeks ended Nov. 12, 1982

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4s; $ per 1,000 bd. ft.							
Nov.	151.00	141.10	149.30	148.70	812	224.50	128.00
Jan. '83	167.40	158.40	166.20	166.10	4,655	205.50	139.00
March	180.70	169.50	179.00	179.20	2,000	209.80	146.80
May	188.90	178.60	187.80	187.70	680	202.00	151.50
July	196.00	187.30	194.40	194.70	820	201.00	158.00
Sept.	201.00	191.00	197.70	201.00	486	201.00	163.80
Nov.	202.40	192.20	197.90	201.00	193	202.40	168.00

Total Contract Vol. (Through 11/12): 27,157 — Previous Two Weeks: 22,374
Total Open Interest (As of 11/11): 9,690 — Previous Week: 9,068
Cash Price: $148.96 — Previous Week: $147.98 — Year Ago: $133.28

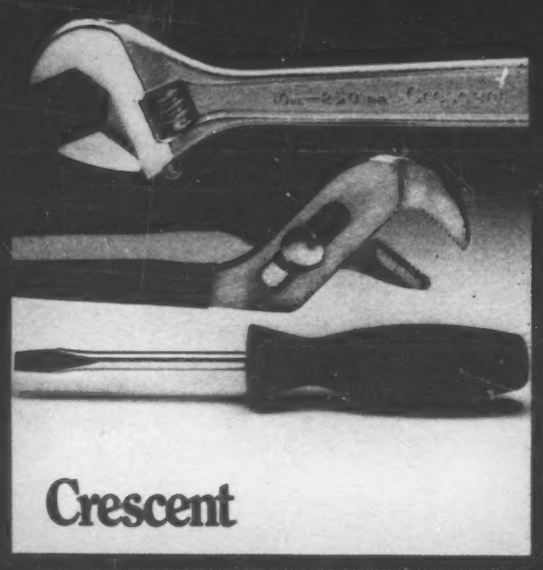
	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Nov.	193.50	184.50	193.50	190.80	101	226.50	154.80
Jan. '83	197.00	188.00	197.00	195.00	1,070	218.60	157.00
March	200.80	192.00	200.80	199.20	271	200.80	162.50
May	204.70	196.00	203.50	201.70	142	204.70	167.00
July	207.80	199.00	207.30	205.50	147	207.80	170.00
Sept.	210.00	204.00	209.00	208.50	34	210.00	185.00

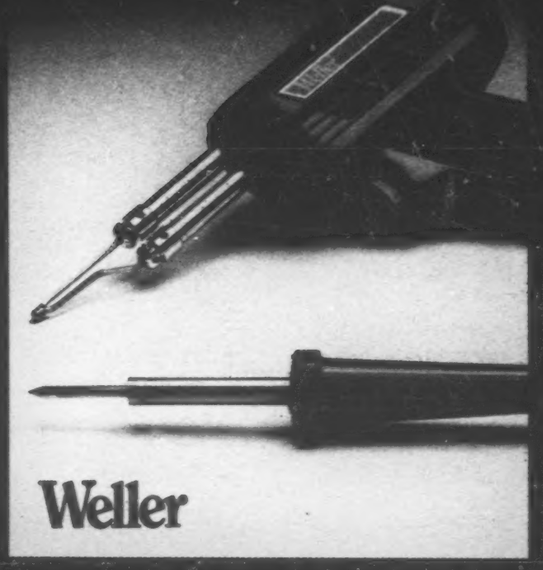
Total Contract Vol. (Through 11/11): 2,551 — Previous Two Weeks: 2,320
Total Open Interest (As of 11/11): 1,765 — Previous Week: 1,823
Cash Price: $187.18 — Previous Week: $188.20 — Year Ago: $185.22

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	233.9	234.5	268.4

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, 11/11/82.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

The Tools of The Trade.





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Home centers outperforming mass retailers

(Continued from page 1)
chains may not reflect the true picture in the wider universe of home centers.

"I'm not sure the home center industry is doing as well as has been reported; because the chains are doing well, people assume that the industry is doing well. You can't look at 20% unemployment and not be affected," said Tom Herward, vp marketing at Busy Beaver, the 30-store, Pittsburgh, Pa., chain.

Busy Beaver's 20% rise in consumer sales was led by the energy category. Fiberglass insulation, weather stripping and storm windows sold heavily in October.

Interest expense at Busy Beaver was down in October compared to the year before, and Herward estimates interest expense may decline more significantly over the next year—perhaps 20% in 1983.

Forest City's October sales climbed 21% over the previous year to an estimated $11 million, and Rod Marques, vp finance, estimated that profit in October as a per cent of budgeted sales "will go up fourfold over the planned percentage budget for the month. October 1981 was a breakeven month for us, but this October was one of our better months of 1982." The big seller at Forest City was snowblowers, with last year's record cold winter fresh in Midwestern memories.

Marques also noted that interest expense was cut by one-third this fall compared to 1981 levels, but he doesn't expect it to dip much further. Due to disinflation, dollar sales were lower on lumber, although unit sales were about the same. Marques said sales of building materials were down about 3% while dimensional lumber products dipped as much as 10%-15% compared to last year.

While 84 Lumber's sales (over $65 million for the month of October) were 27% higher than 1981's, profit as a per cent of sales was 2.2% compared to 3.1% for the same period in 1981, according to Larry Neill, director of training. The decrease in profit was in large part conscious according to Neill.

Neill explained that interest expenses at 84, which by September were down 54% from 1981, were not considered especially significant at his company. With fiscal year ending in November, 84 Lumber generally has a decrease in borrowing at year-end as real estate and construction borrowing deals generally start the new fiscal year with planning for spring expansion.

Larry Platt, president of Knox Lumber of St. Paul, Minn., noted that the best movers in his chain's 20% October sales increase were insulation, roofing and commodities. Since the nine-store chain operates on a strictly cash and carry basis Platt said he could not tell precisely how much of the sales increase was consumer business, but estimated it to be a major factor.

Scotty's, the 98-store, Winter Haven, Fla., chain, posted a 4% rise in October 1982 sales from $22,794,000 in 1981 to $23,,624,000. There was a slight decrease in profit as a per cent of sales during Scotty's first quarter (July-September); it was 2.78% for 1982 compared to 3.05% in 1981.

Richard Martineau, Scotty's controller, attributed these figures to expansion. "It was due primarily to increased overhead from 16 stores that opened last year, many of which were acquisitions," said Martineau.

October 1982 sales were up 13% compared to October 1981 in Boise Cascade's 92 home center units west of the Mississippi.

NBMDA

(Continued from page 2)
Of greater concern to some distributors was the possibility that the jump in prices could set off a new wave of inflation, thereby threatening to push up interest rates.

Others argued on the other hand that the increase in home building activity would roll out slowly, and tend to moderate the kind of surges in demand seen in the aftermath of past recessions. Nearly all distributors agreed that the essential goal in emerging from the present downturn for their businesses was to build toward profitability, even if it meant changing the product lines they carry.

Distributors also remarked that manufactured housing would become an increasingly important outlet for their businesses, and that a number of companies already were finding success in filling the requirements of some plants which typically maintain only a four-hour supply of inventory.

"It demands instant service," said one distributor, but it will be a viable business in the future in addition to DIY and remodeling markets, he added.

In separate events during the NBMDA convention, Amerhart Limited, Green Bay, Wis., was named Wholesaler of the Year; and Perry N. Sparks of Lumberyard Supply, St. Louis, was elected president of the association.

Amerhart was selected among five regional winners recognized by home center and building material retailers across the country for outstanding service in an independent, audited poll.

The regional winners were: Benco Building Products, Greensburg, Pa.—in the East; Rounds & Porter, Wichita, Kan.—in the midcontinent region; Dallas Wholesale Builders Supply, Dallas—in the South; Gittings Lumber, Denver—in the West, and Amerhart, in the Midwest.

Canfor Ltd.'s Toronto branch was named NBMDA Wholesaler of the Year for Canada.

The election of Perry Sparks to NBMDA president brings the family's involvement with the association full-circle: Spark's father, Harold W., was president during the time the NBMDA was first incorporated as an independent trade association of wholesale distributors, in 1951.

Hand truck sales

(Continued from page 3)
fer radically, and retailers have had a hard time selling quality to a consumer public that is looking to shop price.

"Some of the stuff on the market is unbelievable," said Ole's Mendes. "The metal is very soft and couldn't hold anything. And the bracketing is very insubstantial." Nevertheless, price footballing has affected truck sales at his chain, where, Mendes claimed, the price of the product has gone up and down by as much as $10 over the past months.

However, the volume the trucks have been producing for other chains remains the most appealing element the product offers.

"I think the key element in the trucks' popularity is when the manufacturers showed the products could cart garbage cans which makes them attractive to older consumers," said the chain's merchandise manager. "But some of the trucks on the market just bend when even a little weight is put on them, so you have to be careful when you're buying." His chain, which is selling its truck models at $19.99, guarantees the product for one year. "We haven't changed suppliers, and have had very few complaints from customers.

The durability of the trucks has become somewhat of a sore spot for some importers, and several are attempting to upgrade the overall image of the product line. One importer, 3I Duracraft in Northridge, Calif., offers a 10-year warranty on its "Kart-All" product that the company's ads claim can support up to 1,000 lb. The company sells such home center chains as Orchard Supply, Edward Hines Lumber, Von Tobels, Westlake Hardware, and Haywood Lumber in Salinas, Calif.

"We got into the truck market because we could see there was a need for a quality product at the $20-$40 price range," said Duracraft's sales department manager Carla Henry. "But there's still a real problem of quality with some of the products on the market, which are very lightweight and don't have much capacity."

Jim Martin, the general manager of the three-unit Von Tobel's In Las Vegas, Nev., said he has had very few customer problems with Duracraft's hand truck. The product line, in fact, has been so successful, that he has arranged for Von Tobel's parent company, Pay 'n Save Corp. in Seattle, to import container quantities of hand trucks from the Orient on its behalf.

Martin noted that while his stores are seeing most of the sales activity at the promotional $17.95 price, "hand trucks will sell on a day-to-day basis, and we've seen good volume at the retail price of $29.95." And, hand trucks are turning at a rate of about five times annually for Von Tobel's. Martin said that his stores' sister chain, the 75-unit Ernst Home Centers, is contemplating taking on the product "in a big way."

Housing permits up

(Continued from page 2)
was 679,000.

The increased activity has been attributed to the sharp decline in interest rates since the summer. The prime, which was 16.5% in July is now down to around 12%. The average effective interest rate on a conventional home mortgage dropped to 14.85% in early October, the lowest rate since June 1981, according to the Federal Home Loan Bank Board. Last July the average rate was 15.74%.

In view of positive signs, several organizations last month offered relatively upbeat construction forecasts for next year, based on the assumption that interest rates would continue to slip downward.

The National Assn. of Home Builders predicts 1,365,000 units in 1983 and 1,588,000 in 1984, compared with 1,052,000.

McGraw-Hill Information Systems expects 1,325,000 units to be built in 1983 compared with 1,034,000 this year.

Canadian home centers

(Continued from page 3)
area," he said. "A couple of years ago, there were 42 lumber and building material stores. Now, there are 22."

For many, the DIY market has been "the savior," according to W. Paul Landry, executive director of the Atlantic Building Supply Dealers Assn., LBMAO's counterpart in the Maritime provinces.

"People are still buying," remarked John Noble, manager of The Building Centre in Mississauga. "As long as we've been in the do-it-yourself end, we've been O.K. Just look at [retail and hard lines giant] Canadian Tire. I understand they are having a great year because people are holding onto their cars and fixing them.

"In our business, we do weekly advertising, but it's competitive. I'm sure everyone's margins are down."

Chatham Cash & Carry's Tunks admitted that the situation could be better but he was not complaining.

"We're satisfied with our return," he said. "It's not as good as it was but we're satisfied."

His business has changed from a 50:50 consumer-contractor split to one that favors the do-it-yourselfer who now makes up 75% to 80% of the business. Tunks has sparked that change, in part, by spending more on advertising.

For a while during a show seminar, the private sector was blaming the Government and the Government was blaming the private sector for the country's difficulties.

Patricia C. Johnston, vice president, legislative, of the Canadian Federation of Independent Business, termed Government at one point as "another special interest group."

Meanwhile, Claude F. Bennett, Ontario's minister of municipal affairs and housing, said the private sector has suggested many of the present policies of Government and has delivered to officials a mixed message of "we can do it, but you [Government] take care of it."

The bottom-line message during the seminar was clear, however. Cooperation among all groups is necessary to tackle key issues effectively.

The LBMAO has initiated a program aimed in that direction. Its Government liaison program is intended "to develop individual relationships with Parliamentary members" so that the Federal and provincial Governments not only know the organization's thinking and vice versa but also to know LBMAO members, Hardy said.

Another bright spot for the LBMAO was show attendance, up about 30% from last year. The rise was, partially attributable to the combination of the show and the congress, which in the past were held separately.

Goodman

(Continued from page 2)
ZIP (Zero Interest Program) energy conservation drive. ZIP started up last April, but was not marketed through a retailer until Charles Goodman approached the utility.

Goodman, secretary treasurer of Goodman's Lumber, learned about ZIP from his company's insulation supplier. "I knew that PG&E had no way of marketing the program so I approached them with a rough layout of an ad."

PG&E decided to market the loan program at Goodman's San Francisco store on weekends, and began a five-week pilot last August. PG&E sent a crew of clerical help, supervisors and conservation experts to the Goodman store on Saturdays from 8:30 a.m. to 5 p.m. and Sundays from 10 a.m. to 5 p.m. to process loan applications.

The PG&E people came armed with microfiche equipment to do credit checks on the spot. A quick computer check to see that customers had had accounts with the utility for at least one year, and had no turnoff notices during that period, enable PG&E representatives to approve loans instantly. The conservation experts could suggest measures and materials beyond the "big six" for energy improvements in the home.

Goodman's advertised on the radio, footing the entire bill, and in newspapers, sharing the cost 50/50 with PG&E during August. Altogether 119 loans were approved at Goodman's during August and the average size of the loans was $600.

Goodman was pleased with the increase in traffic and sales during the August test. Both Goodman and PG&E officials pointed out that August was a warm month and expectations are running higher for the current campaign that started in November and will run through the Christmas holidays.

Goodman said, "We sold 2½ times the insulation we normally sell in August, and sales went up on some products 60%." Products which Goodman said he never thought of promoting before, like low-flow shower heads at $23, sold by the score.

The newspaper ads ranged from ¾ to full-page spreads, featuring the "big six" products and a promotion on the loan program. Goodman's ZIP loan processing days were successful enough to attract inquiries from other retailers like Sears, but PG&E has not finalized any arrangements to hold loan workshops in other retail locations at this time.

Hardware Show to open 1st at McCormick West

STAMFORD, Conn.—The 38th Annual National Hardware Show will open first at Chicago's McCormick Place *West* (formerly Donnelley Hall) on Sunday, Aug. 14, and close on Wednesday, Aug. 17, 1983. McCormick Place will be open Monday through Thursday, Aug. 15-18.

Show manager Art Maxon, indicated the need for the early opening, based on the size of the show and number of participants. "The purpose of staggered dates," he said, "is to simply give our attendees ample time in which to conduct their business."

Fiscal experts find few flaws in chain

Hechinger may be the model of merchandising acumen, but its success is also attributed to being one of the best financially run companies in the home center industry.

When stacked up against five other publicly held home center firms, Hechinger ranked first on an annual basis in 7 out of 10 key financial measures in fiscal 1982, according to *NHCN*'s analysis.

A look over the past three years indicates Hechinger, financially, has been improving its position too: it led in six measures in fiscal 1981 and in five the year before.

Financial analysts generally agree that despite concern over the age of Hechinger's top management and its "in-bred family" board of directors, it is hard to find a flaw in the way the company manages itself financially.

To put Hechinger's performance in perspective with the rest of the home center industry, *NHCN* compared its figures with Lowe's, Pay 'N Pak, Payless Cashways, Scotty's and The Home Depot. The companies were compared on the basis of their quick ratio, current ratio inventory to total assets, fixed assets to total assets, leverage, return on equity, return on total assets, inventory turns, operating income to sales and net income to sales through approximately mid-year for each of the last three years. (See accompanying charts.)

Hechinger has ranked No. 1 the last three years in current ratio, current assets to current liabilities; quick ratio, current assets less inventory divided by current liabilities; inventory to total assets and inventory turns.

Its figures of 27% inventory to total assets and 7.5 turns on inventory this year are particularly impressive.

The chain moved into the top spot for the first time in the last three years in 1982 in net profit to total assets, 8.7%, and net income to sales, 4.3%.

For the last two years, Hechinger has led in operating income to sales against the other five companies with a most recent figure of 8.1%.

Although it was not included in the study comparisons, Hechinger's shrink rate of less than 2% of sales is relatively low.

Figures like these sit well in the financial community.

"I look at a number of things," responded Robert Simonsen, analyst with Kidder Peabody, New York, when asked the strengths he looks for in a company. "What are the company's growth prospects; are they sustainable; what its management is like; does it have the financial wherewithal to grow, and how does its current price relate to its growth potential?

"I would say Hechinger is one of the strongest companies in the home center industry in these terms."

Among the company's strengths is its balance sheet, according to analyst Franklin Morton of Alex Brown & Sons, Baltimore.

"They are well-capitalized and the $25 million in cash they have gives them flexibility that others don't have," Morton said. "They have not needed to borrow at these high interest rates."

Morton also likes the constant sales and earnings increases Hechinger has produced. He added, "Its return on sales has increased each year of the last seven to become the highest in the industry."

An industry consultant commented about Hechinger's financial situation, "By almost any criteria, Hechinger has done a superb job."

The analysts also look off the financial statements and within the company when they reason why Hechinger is so strong financially.

"Hechinger's strengths lie in its imaginative management that is forward-looking and aggressive," related Elliot Benson, analyst with Ferris & Co., Washington, D.C. "They have developed a tremendous knowledge of the market and what can be sold. The chain has a powerful team of players."

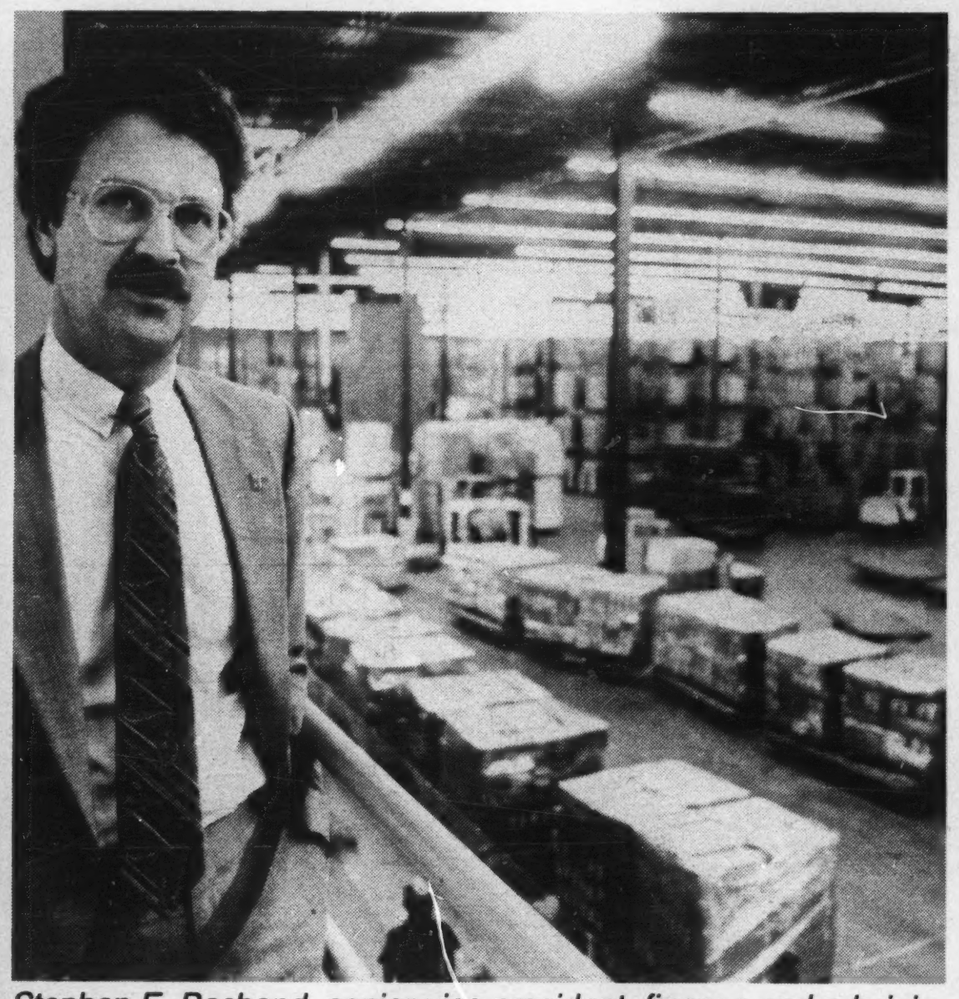
Skip Helm of William Blair & Co., Chicago, views the chain's merchandising capabilities and nature of its stores as keys to success.

"They have a formula that is appealing," he said. "Their execution is top notch. They are held in the highest regard within the industry."

"The stores are the most exciting things about them, their first-class locations, size, selection and presentation," an industry consultant said. "They have tremendously appealing stores. For a woman, the shopping environment is flattering, and their high-price image is just that, an image. It's not reality."

Even when statistics would indicate Hechinger is not as

(Continued on page 56)



Stephen E. Bachand, senior vice president, finance and administration, on a balcony overlooking the Landover, Md., distribution center, is credited with developing controls that allowed Hechinger to expand rapidly.

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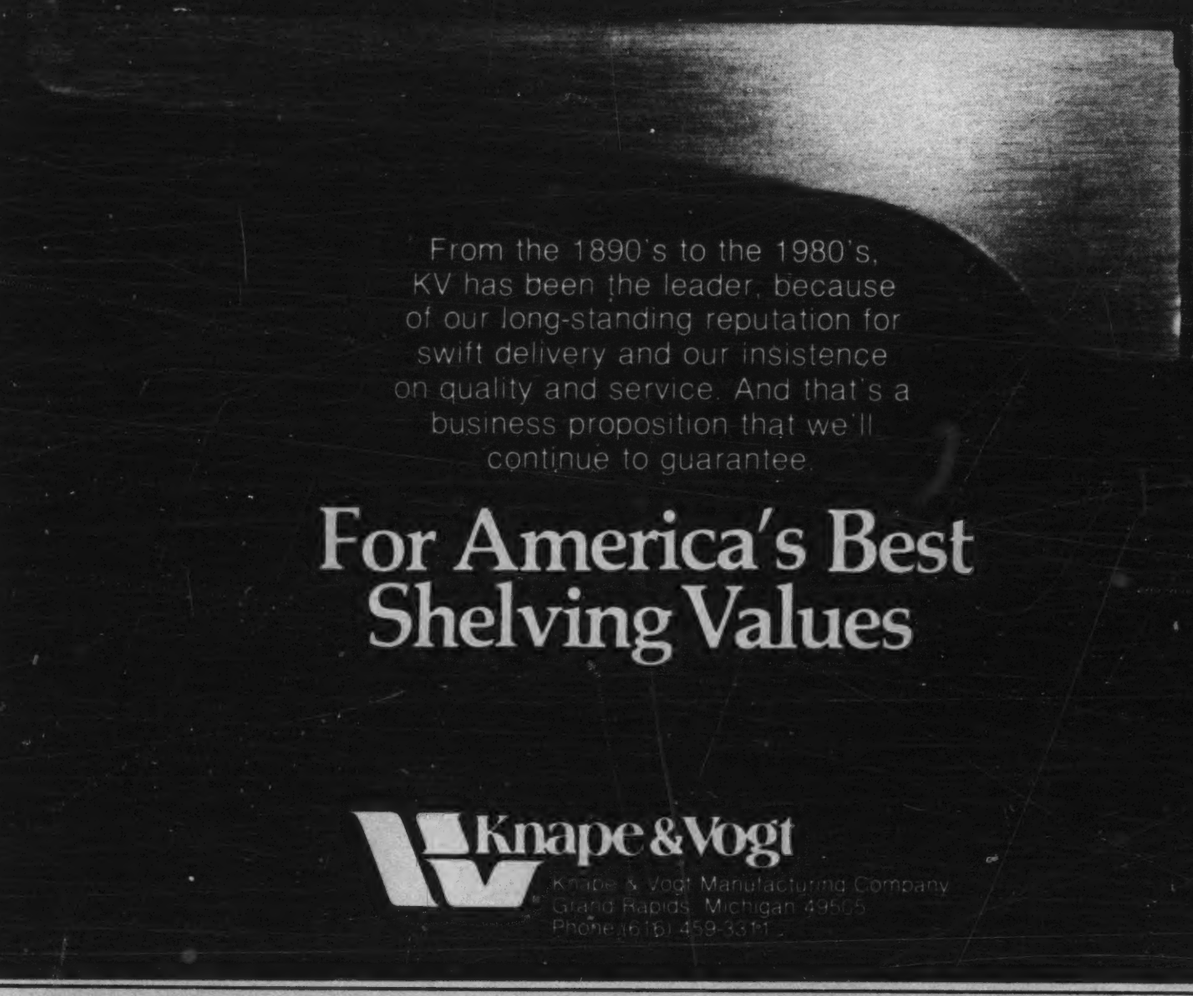

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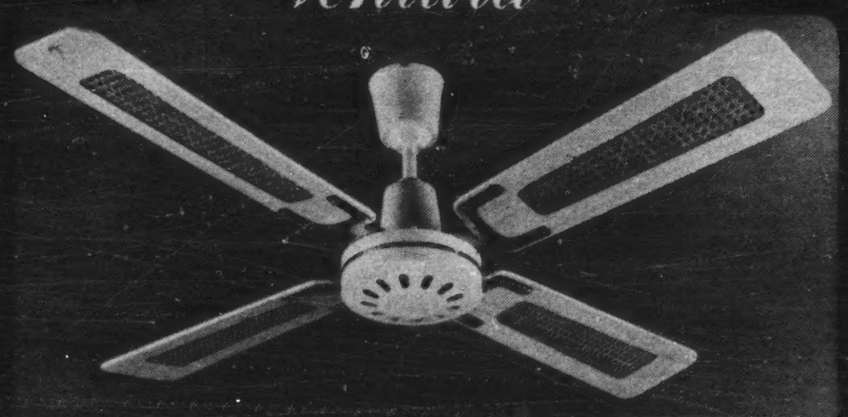

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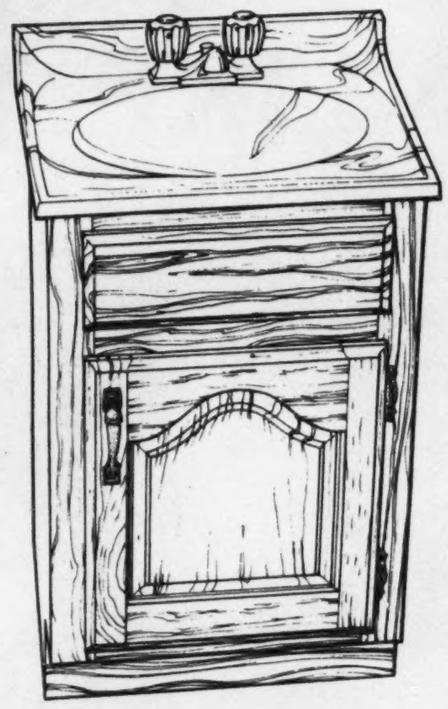

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NET INCOME/SALES

RANK 1980	RANK 1981	RANK 1982	Company	RATIO 1982	RATIO 1981	RATIO 1980
3	3	1	Hechinger	4.3%	4.0%	3.8%
4	5	2	Payless Cashways	3.6	3.4	3.7
1	4	2	Scotty's	3.6	3.4	3.7
1	2	2	Pay 'N Pak	3.6	4.1	4.3
—	1	5	The Home Depot	3.5	5.3	—
5	6	6	Lowe's	2.2	2.1	2.4

$$\text{Net Margin} = \frac{\text{Net Income}}{\text{Sales}}$$

OPERATING INCOME/SALES

RANK 1980	RANK 1981	RANK 1982	Company	RATIO 1982	RATIO 1981	RATIO 1980
3	1	1	Hechinger	8.1%	7.6%	7.4%
—	3	2	The Home Depot	6.9	7.2	—
4	5	3	Payless Cashways	6.7	6.2	6.9
1	4	3	Scotty's	6.7	7.0	8.0
2	2	5	Pay 'N Pak	6.5	7.4	7.8
5	6	6	Lowe's	4.1	3.9	4.6

$$\text{Margin} = \frac{\text{Operating Income}}{\text{Sales}}$$

RETURN ON TOTAL ASSETS

RANK 1980	RANK 1981	RANK 1982	Company	RATIO 1982	RATIO 1981	RATIO 1980
2	2	1	Hechinger	8.7%	8.2%	9.4%
4	3	2	Payless Cashways	8.0	8.0	7.4
1	1	2	Scotty's	8.0	8.5	11.0
—	6	4	The Home Depot	7.5	4.5	—
3	4	5	Pay 'N Pak	7.1	7.0	7.6
5	5	6	Lowe's	5.5	5.8	6.9

$$\text{Return on Total Assets} = \frac{\text{Net Profit}}{\text{Total Assets}}$$

Few flaws at Hech.

(Continued from page 52)

powerful as others, there are some good reasons why that's true.

In return on equity, Hechinger ranked No. 3 among the six DIY companies in the *NHCN* study. The analysts indicated that the 34-store chain's return on equity is deceiving, however.

"It's much stronger when you factor out that $20 million it has lying in marketable securities," Kidder, Peabody's Simonsen said.

The marketable securities which Hechinger owns, however, is a key asset in the company's expansion prognosis, the analysts indicated.

"They are in a beautiful position to continue expanding," the consultant said. "They can even go back to the stock market for another offering. There's no reason for them to go to the debt market."

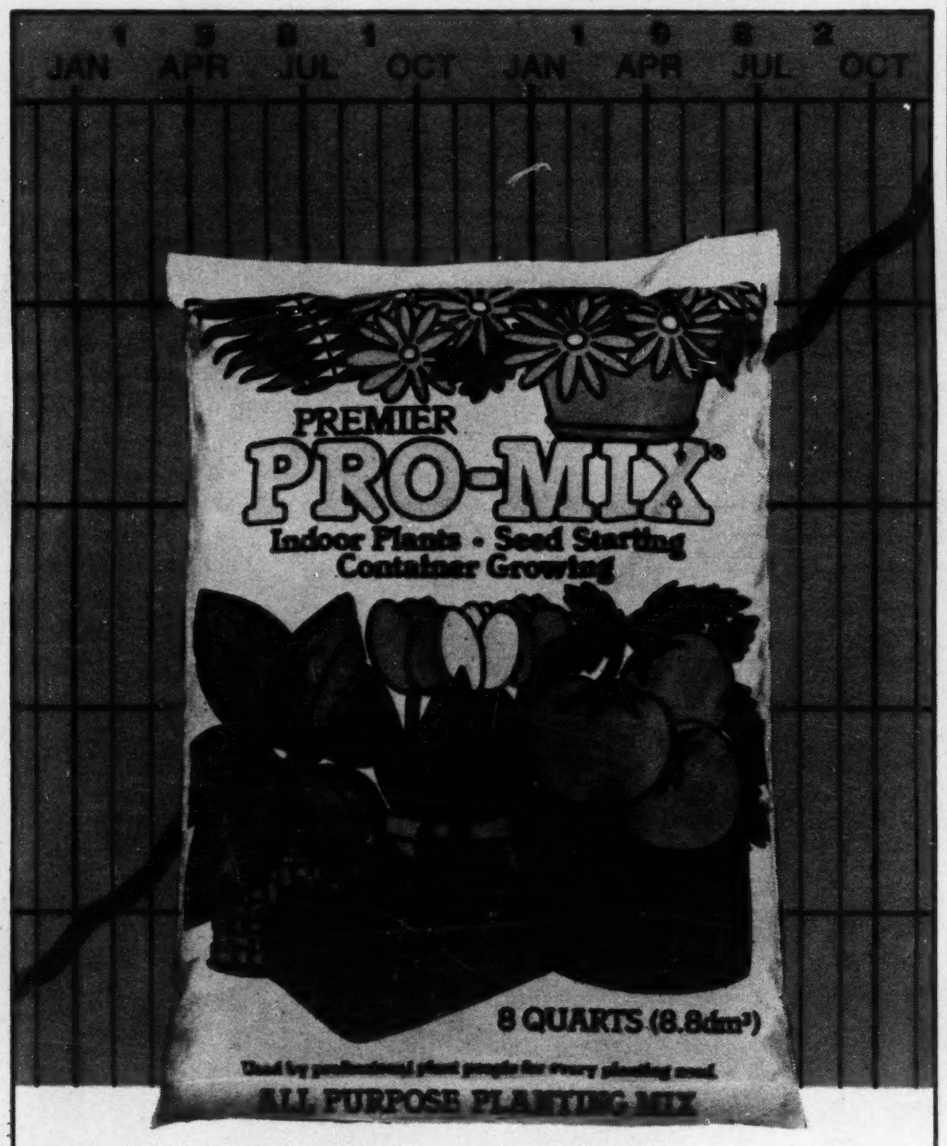
The analysts also view the current asset as having potential use in the acquisition market, especially with Woolco units now available to Hechinger.

"I think Hechinger is in as good a position as anyone to afford expansion and I anticipate it will have a greater number of stores and accelerate its expansion plans," Simonsen said. "When a store's sales and profit are cyclically depressed, home centers most likely curtail their growth. But as earnings go up, so does one's cash flow, which allows for greater growth possibilities."

Comments on Hechinger's expansion into North Carolina run the gamut from "They'll teach Lowe's a lesson" to "It'll be Hechinger's first real test."

"Part of Hechinger's strength is that they operate in

(Continued on page 57)



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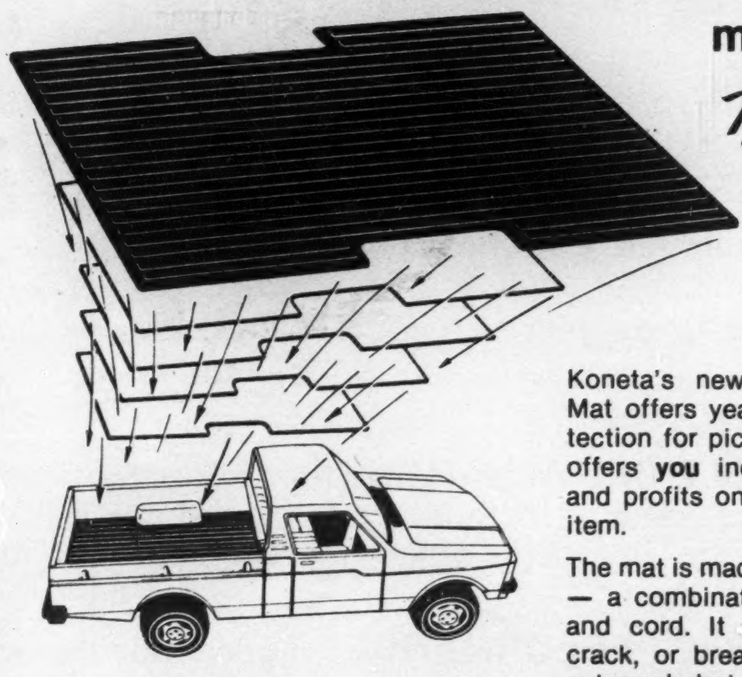

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Hechinger

(Continued from page 56)

a terrific market," said William Blair's Helm. "D.C. has a lot of older homes, a high degree of turnover, high per capita income and is not price sensitive. You have to hand it to Hechinger, though. It has been responsive to that market.

"You take that a step farther and the potential risk in new markets like Philadelphia and North Carolina is tough. Lowe's will respond and there'll be more price competition. My only concern is Hechinger's high cost of operation. Its investments in inventory and distribution have been large but it has been able to cover them in their pricing. It may have some pressure on its margins in North Carolina."

For the most part, he added, Hechinger has chosen some good North Carolina markets.

Kidder, Peabody's Simonsen appears a bit unfazed by the commotion, however.

"The industry is so large that it can sustain a bunch of winners in many markets," he said.

The close-knit family makeup of the company is about the only area where outsiders question Hechinger.

INVENTORY TURNS

RANK 1980	RANK 1981	RANK 1982	Company	RATIO 1982	RATIO 1981	RATIO 1980
1	1	1	Hechinger	7.5	7.1	6.8
3	3	2	Scotty's	6.5	5.9	6.2
—	4	3	The Home Depot	6.0	5.4	—
1	2	4	Lowe's	5.7	6.8	6.8
4	5	5	Payless Cashways	4.7	5.0	4.1
5	6	6	Pay 'N Pak	3.6	2.9	3.5

$$\text{Inventory Turns} = \frac{\text{Sales}}{\text{Inventory}}$$

Footnote to Charts

Figures for Hechinger, The Home Depot and Lowe's for each year include the previous 52 weeks ending with the second quarter (July) of their fiscal years. All numbers are based on the LIFO method of inventory valuation.

Scotty's figures are taken from its annual reports in the last three years. Scotty's adopted LIFO on June 29, 1980.

Pay 'N Pak figures for each year are from the previous 52 weeks ending in the second quarter (August) of the company's fiscal year. Pay 'N Pak has always used the FIFO method of inventory valuation.

Payless Cashways' figures for each year include the previous 52 weeks ending in the third quarter (August) of its fiscal year. Payless switched to LIFO from FIFO on Dec. 1, 1979.

CURRENT RATIO

RANK 1980	RANK 1981	RANK 1982	Company	RATIO 1982	RATIO 1981	RATIO 1980
1	1	1	Hechinger	3.29	3.27	2.50
2	2	2	Scotty's	2.55	2.56	2.44
5	3	3	Payless Cashways	2.27	2.31	1.81
—	6	4	The Home Depot	2.25	1.42	—
4	5	5	Pay 'N Pak	2.11	1.83	2.38
3	4	6	Lowe's	2.00	2.09	2.40

$$\text{Current Ratio} = \frac{\text{current assets}}{\text{current liability}}$$

QUICK RATIO

RANK 1980	RANK 1981	RANK 1982	Company	RATIO 1982	RATIO 1981	RATIO 1980
1	1	1	Hechinger	1.95	1.99	1.06
3	2	2	Scotty's	0.85	0.90	0.66
2	3	3	Lowe's	0.67	0.86	0.98
—	4	4	The Home Depot	0.65	0.33	—
5	6	5	Pay 'N Pak	0.22	0.07	0.16
4	5	6	Payless Cashways	0.16	0.14	0.20

$$\text{Quick Ratio} = \frac{\text{Current Assets } (-) \text{ Inventories}}{\text{Current Liabilities}}$$

INVENTORY/TOTAL ASSETS

RANK 1980	RANK 1981	RANK 1982	Company	RATIO 1982	RATIO 1981	RATIO 1980
1	1	1	Hechinger	27.0%	28.7%	35.6%
2	2	2	Scotty's	34.4	38.3	41.2
3	3	3	Lowe's	44.8	41.2	41.6
4	4	4	Payless Cashways	46.6	47.2	48.1
5	5	5	Pay 'N Pak	54.2	57.5	50.5
—	6	6	The Home Depot	59.8	60.9	—

LEVERAGE

RANK 1980	RANK 1981	RANK 1982	Company	RATIO 1982	RATIO 1981	RATIO 1980
—	6	1	The Home Depot	1.64	3.44	—
4	1	2	Hechinger	1.72	1.74	2.17
3	4	3	Payless Cashways	1.87	2.08	2.12
1	3	3	Scotty's	1.87	2.04	1.81
2	2	3	Lowe's	1.87	1.93	1.87
5	5	6	Pay 'N Pak	2.30	2.57	2.36

$$\text{Leverage} = \frac{\text{Total Assets}}{\text{Stockholders' Equity}}$$

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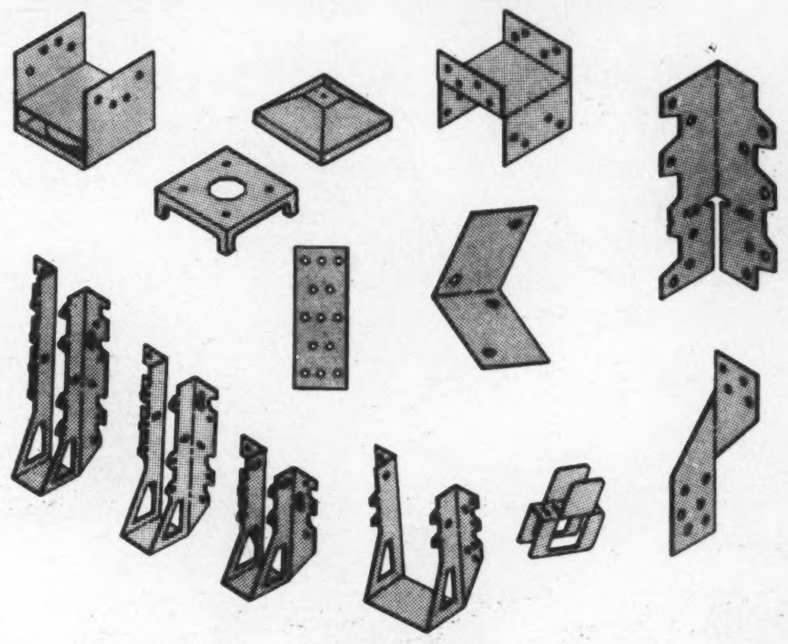

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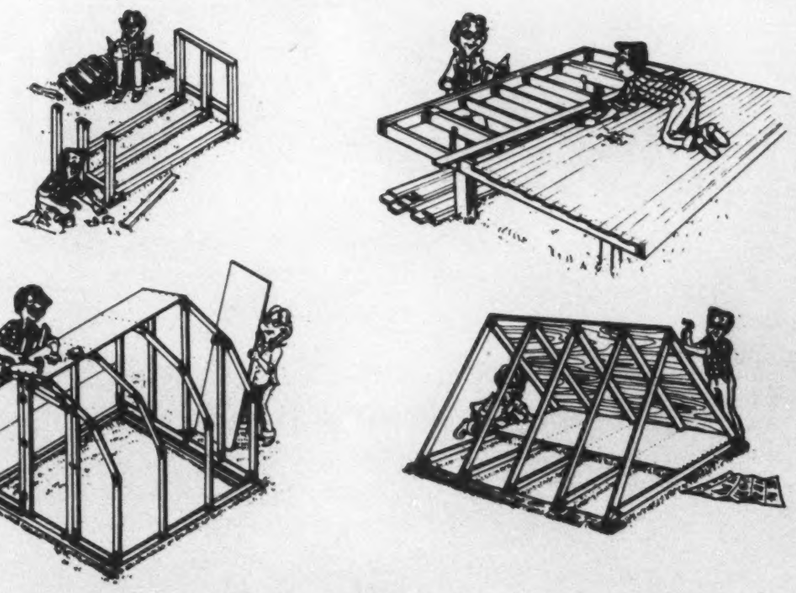

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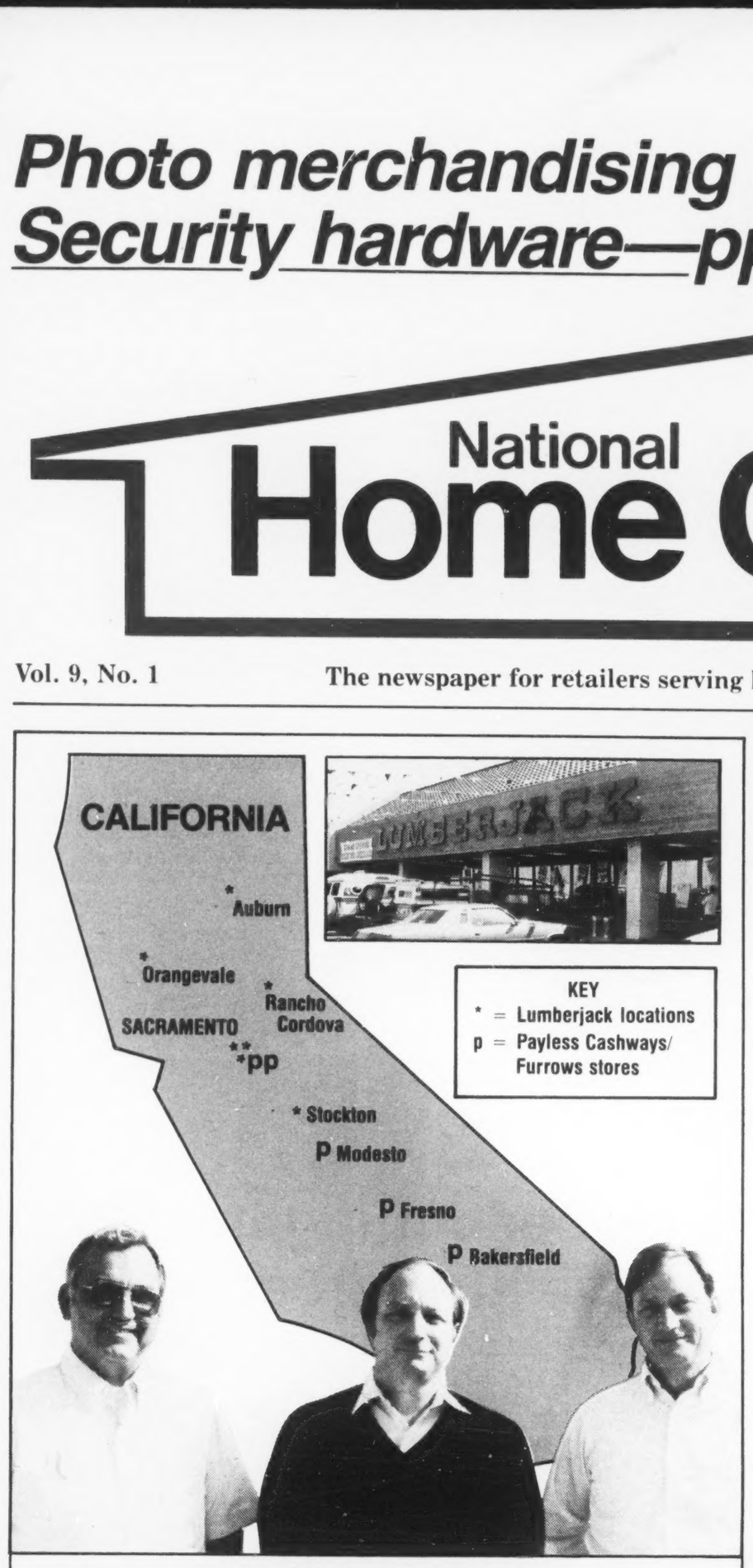
National
Home Center News

Vol. 9, No. 1 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. January 3, 1983



Payless Cashways' five California Furrows outlets will change their name to Lumberjack, following Payless' acquisition of seven-unit Lumberjack. Lumberjack execs (left to right) Gary Levi, vice president; Jay Steiner, vp treasurer, and Tim Steiner, vp planning and development will continue to run the Sacramento-based operation.

Payless floats stock offer to purchase Lumberjack

By Molly Brauer
NHCN field editor

SACRAMENTO, Calif.—David Stanley, president of Payless Cashways, was chatting with a reporter about the California market several months ago when he gave him this tip: "If you want to know anything about Sacramento, call Lumberjack." Apparently Stanley meant it; December 13th Payless Cashways announced its acquisition of the seven-store independent for approximately $26,500,000.

The purchase of Lumberjack, which posted $52 million in sales in the first 10 months of 1982, was financed by a 700,000 share equity offering underwritten by Goldman Sachs, Kidder Peabody and Piper, Jaffray & Hopwood (where David Stanley was a vice president until 1980 when he came to Payless). Payless stock was selling at $43 at presstime, and it is estimated the offering will gross about $30 million.

The Lumberjack purchase was Payless' third acquisition in 1982, which was also a year of sustained building for the chain. Payless, with sales of $602 million in its fiscal year

(Continued on page 34)

Sears shuns home centers for specialty paint stores

Giant retailer opts for 6 smaller units

By John Caulfield
NHCN associate editor

CHICAGO—Home centers are out, specialty stores are in.

That was the surprising message the home improvement industry got from Sears last month when the nation's largest retailer revealed it would be opening six freestanding paint and hardware specialty outlets in three metropolitan markets as part of a one-year test program.

It was reported initially by inside sources familiar with Sears' market plans that the company would be moving this spring into 20,000-30,000-sq.-ft. home centers, either in southern Florida or Los Angeles, that would offer a wide array of DIY products (*NHCN*, Dec. 6, 1982). However, those plans apparently have been put on the back burner, and Sears has opted instead to go with smaller, 2,600-3,300-sq.-ft. specialty units, with two stores scheduled for operation in each of the Los Angeles, New York and Chicago markets.

Artist's rendering shows one of six Sears Paint & Hardware stores scheduled to open in 1983.
Courtesy of Sears

The first store, to open this spring, will be a 3,300-sq.-ft. leased unit located in the Strathmore Square shopping plaza in Buffalo Grove, Ill., a village of 12,000 residents five miles northwest of the heart of

(Continued on page 34)

Northeast lumbermen optimistic as NRLA show opens in Boston

By Kenneth Schept
NHCN senior editor

BOSTON—Lumber dealers in the Northeast are anticipating a happier new year than the one past, when sales remained flat until the final quarter.

Last fall the combination of dropping interest rates, rising lumber prices and unusually mild weather sparked increased sales, as some retailers hiked their lumber prices and even deepened inventory.

Although substantial inventory investment is not expected until spring, a Random Length's poll late last year showed that 85% of northeastern lumbermen surveyed plan to build inventories. The same percentage expected their 1983 sales would surpass this year's.

In November the Boston Five Cents Savings Bank, the largest savings bank in New England, closed just over $12 million in residential mortgage applications, the largest single month in its history. Just a few months earlier, during the summer of 1982, it was closing only $3 to $4 million per month, according to William Morrisey, executive vice president.

While retailers were cautious about the scope of the rumored rebound, their upbeat attitude seemed to be reflected in preregistration for the 89th Northeast Retail Lumbermens Assn. Building Materials Exposition scheduled for Jan. 7-9, at Hynes Auditorium, here.

By mid-December 10,000 delegates were expected, ac-

(Continued on page 33)

Chains raising stake in TV advertising

NEW YORK—Home center chains are raising the ante substantially in the television advertising game.

According to the latest figures from the Television Bureau of Advertising (TVB), the 15 heaviest TV advertisers in the home center industry collectively spent $9,755,500 in the first nine months of 1982—an increase of 46% over the $6,672,100 spent during the same period in 1981.

Leading the increase was Payless Cashways, which spent $782,000 during the nine-month period, compared to only $39,700 the year before, a 1,870% increase. The Home Depot, meanwhile, showed a 335% increase in TV advertising expenditures, spending $687,700 during the period.

Other large spending increases were made by Hechinger, +185%; Sutherland Lumber, +149%; Forest City, +140%, and National Lumber, +75%. Builders Emporium held on to the No. 1 spot with $1,549,000 in TV advertising. Sutherland fulfilled industry expectations (*NHCN*, May 24, 1982) with TV ad expenses of $1,173,100, which earned second place among the top 15 home center TV advertisers. National Lumber held its own with the big spenders, and gained a notch moving from fourth to third with its $1 million budget.

TVB's numbers point to a wide range of spending on a per-store basis in the home center industry. Chains with under 10 units like Mr. Goodbuys (approximately $120,000 per store), Home Depot (approximately $68,000 per store) and Lumberjack (approximately $44,000) are the leaders on that basis.

If 100-store Payless Cashways continues its spending pattern, the chain will probably be the top home center television advertiser in 1983. Dale

(Continued on page 34)

NEWSBREAKS

PLYWOOD SUIT SETTLED. Agreement in principle was reached last month in a plywood price-fixing suit that has been in litigation since the 1970's. Under the class action settlement, Georgia-Pacific, Weyerhaeuser and Willamette Industries will pay $165 million to those harmed by the price fixing. Payments will be made over several years. The companies denied guilt.

BAYOU EXPANSION. W. R. Grace, in a joint venture with Gaylord's Discount Department Stores, bid $1 million and won a former King's discount store site in Metairie, La., presumably for its third Handy City outlet in the New Orleans market. Gaylords received the five other sites involved for $1.6 million.

INSIDE:

NLBMDA CONVENTIONEERS were in an upbeat mood as many forecast better times ahead for home builders .... Page 2
HOME DEPOT's third stock split in eleven months has made the home center chain the talk of Wall Street ..... Page 3
HOME CENTER RETAILERS benefitted during the Christmas season by doing less discounting of their products ..... Page 3
ABC LUMBER, once a conventional lumberyard operation, has risen from the ashes of a devastating fire to become a thriving upscale home center outlet ..... Page 4
FOREST CITY has committed itself to heavy coupon advertising to boost sales ..... Page 23

DIY Industry update

Diamond retains retail division

NEW YORK—Diamond International's retail division will remain part of Diamond USA at least for the near term after Diamond International shareholders approved the merger of the company into Diamond USA here last month.

According to the proxy statement pertaining to the merger, Diamond's 118 stores are labeled a "core" business along with the company's West Coast timber operations, the pulp and paper group and the Calmar packaging division that Diamond USA "intends to concentrate on developing and improving."

Diamond shareholders approved the merger of their company into Diamond USA, controlled by British financier Sir James Goldsmith, by casting better than 12.3 million or 89.6% of Diamond's common shares in favor of the plan.

Holders of 85% of the common needed to approve the plan for the merger to take effect. They are now receiving $44.50 for each share of Diamond International stock.

The proxy said a Goldsmith company has obtained $455 million in bank borrowings to finance the merger and that all or most of the borrowings will be repaid from the sale of Diamond assets not included in the core businesses.

Diamond International had already begun disposing some of those assets. Within a week after the merger, it announced the completion of the sale of Heekin Can to Wesray Packaging, whose chairman is former Treasury Secretary William E. Simon.

A class action suit filed in November and claiming the merger was unfair to Diamond stockholders is now considered a "moot" point by Diamond officials since the merger has now been approved, a Diamond official said. The company had originally said the action was without merit.

Copeland Lumber enters Arizona

KINGMAN, Ariz.—Copeland Lumber Yards, which operates 77 stores in California, Oregon, Washington, Nevada and Idaho, is moving into Arizona.

The Portland, Ore.-based chain recently purchased the Larry Hamman Lumber unit here for an undisclosed price, and hopes to expand further in the state, according to vice president Robert Laderoute.

"The Arizona market is our type of market and fits in well with our business," he said.

Copeland generated about 50% of its estimated $75 million in sales in 1982 from consumer business (*NHCN*, Oct. 25, 1982) and the store it acquired does about 50% of its sales with consumers during normal economic periods, explained Larry M. Hamman, president of Hamman Lumber.

Canada going metric in '84

TORONTO—Canadian building material suppliers will begin including metric dimensions along with standard imperial measurements in their ads as part of a major metric conversion starting Jan. 1, 1984, according to Vic Roskey, chairman of Canada's building materials suppliers and distributors committee on metric conversion.

Roskey, a senior vice president of Revelstoke and its 98 western Canadian home centers, noted the dual disclosure will be the first, or so-called "soft" conversion step in a two-step process.

"The emphasis will be on a change in measurement language only," Roskey said. "By concentrating on soft conversion first," he added, "we'll give ourselves and our customers a chance to get used to the new terminology. When it makes economic sense for the industry as a whole, or for individual companies, we'll go 'hard' conversion."

Hard conversion will involve actualiy changing the size of some building components such as 4-ft. x 8-ft. panel products, which will measure 1,200mm by 2,400mm. Another example of the change will be conversion from 16-in. centers to 400mm centers.

National Home Center News

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $20 a year ($21 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 9, No. 1 January 3, 1983

NLBMDA convention spotlights upturn amid builders' optimism

LAKE BUENA VISTA, Fla.—Lumber dealers from throughout the nation meeting here recently at Walt Disney World voiced a growing sense of optimism that their dreams for a turn upward in the economy may indeed be coming true.

David Stahl, executive vice president of the National Assn. of Home Builders (NAHB), told the lumbermen that "builders are more optimistic than [at] anytime in the past six years."

That assessment was based on a survey of 500 builders conducted monthly by the NAHB, Stahl told his audience at the 66th convention of the National Lumber and Building Material Dealers Assn.

Much of that conclave focused on the NLBMDA's effort to assist its members in selecting the proper computer system for their businesses. (*NHCN*, Nov. 22, 1982)

Several computer vendors selected by the NLBMDA for their ability to tailor programs to the specific needs of lumber dealers, had their wares on display.

According to Bud Howe, partner in Carver Lumber, Peoria, Ill., who was elected NLBMDA president during the convention, the trade group has explored the advantages and disadvantages of various computer systems to provide guidance for members. The reason, he said, was that some dealers in the past, have invested heavily in equipment that proved ill-suited to their needs.

NLBMDA president Bud Howe told lumber dealers at the group's convention that the trade organization is exploring the possibility of publishing its own national publication and running its own trade show.

A future goal may be NLBMDA endorsement of certain computer systems, according to Howe, who said this would provide an income source for the organization.

Another long-range, money-making opportunity being explored this year is the possibility of the NLBMDA launching its own national publication and running its own trade show

"Bud is strong on communication," said John Martin, chief of the NLBMDA's staff.

Currently, a quarterly newsletter is planned, with the first issue possibly coming out early this year. The organization is exploring its distribution alternatives, hoping to send the publication directly to each dealer, rather than through regional associations, which could mean delays and less timeliness, Martin said.

During a series of dealer service meetings, Paul Kay, Weyerhaeuser sales and distributions vice president, announced formation of the Wood Products Promotion Council, a group devoted to building dealer sales.

Formed by the Southern Forest Products Assn., the National Forest Products Assn.,

(Continued on page 26)

Four-unit Herr Lumber cutting back; eliminates lighting fixtures from mix

SEATTLE—Herr Lumber, reacting to a protracted slump in contractor sales, is eliminating lighting fixtures from its merchandise mix. The move, according to chain president Wallace Barnett is another step the four-unit chain has had to take recently to cut costs.

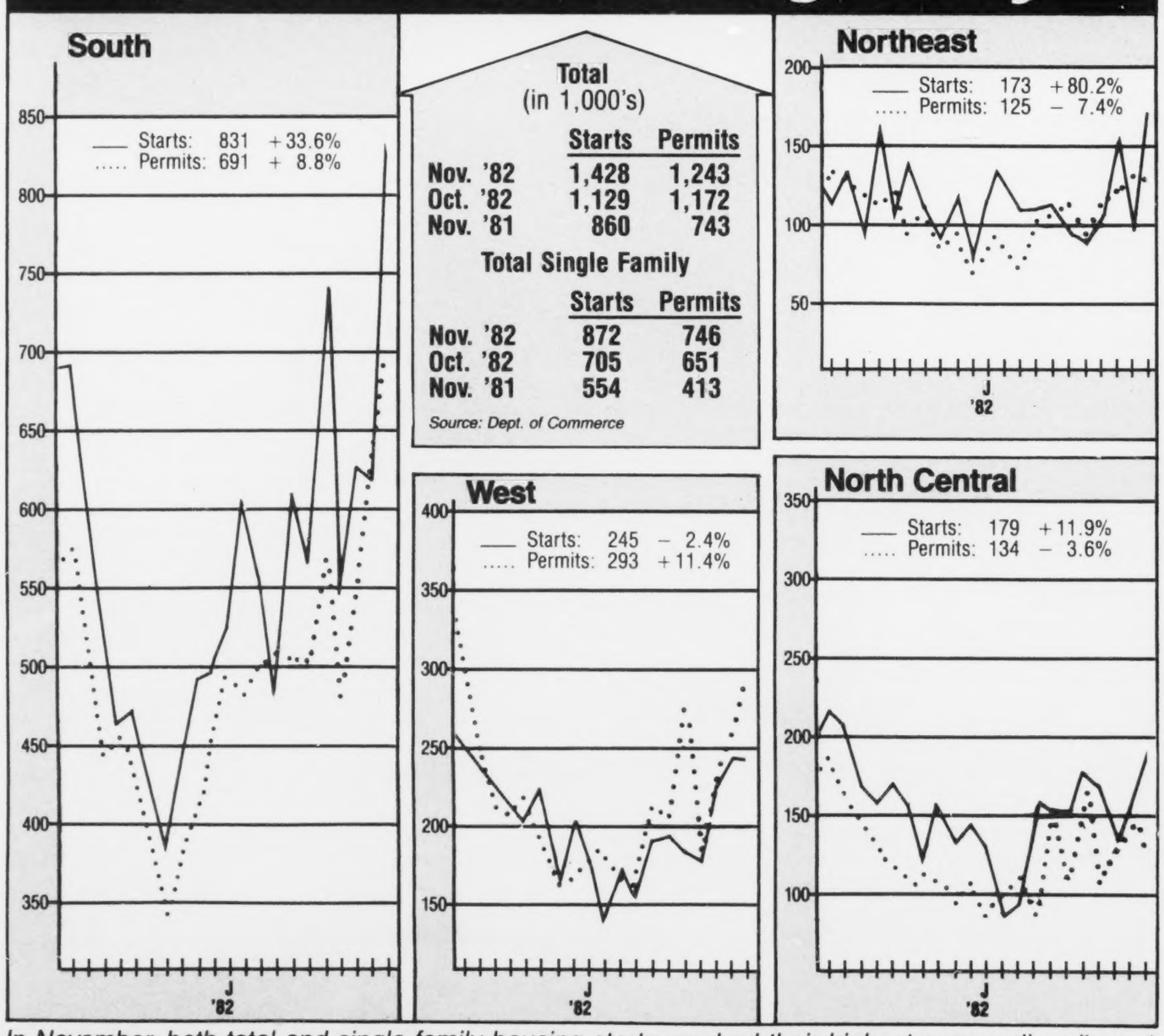
Herr Lumber, which closed its 6,000-sq.-ft. Everett store Sept. 25, has been running close-out promotions on light fixtures throughout the fall. The fixtures are currently being promoted at 10% below cost, but Barnett explained that he's coming out about even since that department was phased out gradually over a 12-month period.

Herr's stores are employing more part-timers and cutting back personnel by attrition. The stores are manned by an average of four people instead of six, and the main store has eight employees instead of 12. The yard and warehouse help was cut drastically, the plumbing department head was let go, and Barnett and the store managers are shouldering more of the purchasing load. Other departments at Herr which have cut back merchandise in the chain's belt-tightening are kitchen cabinets, electricals and plumbing.

Perhaps the only bright spot in the chain's sales is the result

(Continued on page 33)

November home-building activity



In November, both total and single family housing starts reached their highest seasonally adjusted levels since January 1981, with 1.4 million and 872,000 starts recorded, respectively. The total start figure was 66% ahead of a year ago, while the single family number was up 57.4% for the same period. On a regional basis the strongest activity occurred in the Northeast, up 78.4% in seasonally adjusted total starts over a year ago, and the South, up 76.8%. Permits were also slightly ahead of October and 67.3% ahead of November 1981 for total housing, seasonally adjusted, and 80.6% ahead for single family units. "We thought the numbers would be up, but we didn't think they'd be up by that much," said a spokesman for the National Assn. of Homebuilders. Most encouraging, he said, was that the numbers have now been strong for three or four months.

LUMBER REPORT

Manufacturers agree to voluntary safety rules

By Laura Woda
Washington correspondent

Plywood and particle board manufacturers agreed to develop a voluntary standard limiting urea-formaldehyde emission levels in pressed wood products in order to head off mandatory safety rules that would increase prices and reduce supplies.

Under one proposal being considered by the Consumer Product Safety Commission, mandatory emission levels would be set at 0.05 parts formaldehyde per million parts air—a more than 80% drop from current levels.

This would have "a devastating impact on the industry," Georgia Pacific corporate coordinator of environment health and chemical safety C. T. Howlett Jr. told *NHCN*. Such a requirement would "more than double or triple" the price of plywood and particle board products, and "could totally wipe out supplies," he said.

Howlett warned that if the C.P.S.C. tries to force the industry to meet emission standards that are not technically feasible, they may as well "ban the American home."

At a recent C.P.S.C. meeting, set up by the wood products industry, manufacturers stressed that Government interference isn't necessary because they have been successful in lowering u.f. emission levels on a voluntary basis.

During the last three years, u.f. emission levels have been reduced from 1 ppm to 0.3 ppm for wood products that go into the construction of mobile homes, manufacturers maintained.

The cost of achieving the low emission levels, however, was high with the price of certain wood products increasing by 20%, industry leaders told C.P.S.C. Any further reduction would mean even higher costs and reduced supplies, Georgia Pacific president T. Marshall Hahn warned.

Despite these advances in the area of mobile homes, the commission expressed concern that u.f. levels in "pressed wood products, such as cabinets or panels, that find their way to home center outlets like Hechingers," could represent a health danger, Howlett said.

The controversy over the safety of u.f. stems from studies which indicate that it causes cancer in animals, and nausea, headaches and dizziness in humans.

While these findings are well documented for products used in the construction of mobile homes, both C.P.S.C. and the industry agreed that information on consumer exposure to u.f. from pressed wood products in conventional homes is limited.

Nonetheless, C.P.S.C. suspects that "while formaldehyde levels in conventional homes, on the average may be lower than in mobile homes, they may be high enough to pose a potential health risk to consumers."

Consequently, at the meeting C.P.S.C. asked the industry to develop a voluntary standard to reduce consumer exposure to formaldehyde from pressed wood products. The manufacturers assured C.P.S.C. that the industry would be "happy to work with the commission," Howlett said.

While no definite deadline was set, within the next six months the wood industry should be ready to submit a preliminary proposal, and by 1984 voluntary standards could be in effect, he maintained.

The Consumer Federation of America, however, petitioned the C.P.S.C. to set mandatory standards as soon as possible. "The lengthy delay of proceeding with a voluntary standard, which will ultimately lead to the need for establishing a mandatory standard anyway, will only result in increased agency costs and costs to the public in terms of medical bills and physical suffering," C.F.A. said.

The urgency of the problem is seen in the growing number of consumer complaints and the increased use of pressed wood products in our homes today, the petition charged.

According to C.F.A., the commission received nearly 2,000 complaints from consumers who suffered adverse health effects from exposure to u.f. in their homes.

The petition said that 65% of all u.f. is used in the manufacture of pressed wood products including particle board, indoor grade plywood and fiberwood. Because these products are used extensively in the remodeling and renovation of homes, as well as in the construction of new homes, C.F.A. charged that public exposure to u.f. is too high.

As a result C.F.A. recommended that the commission set mandatory emission levels at 0.05 ppm. If the industry can't meet that level, the Government should impose "a Federal ban on the use of u.f. resins in pressed wood products."

Howlett argued that the technology simply isn't available to meet such low levels and that there was no reason to believe it was necessary.

Based on recommendations from health officials in Minnesota, lawmakers in that state passed regulations that set formaldehyde emission levels at 0.5 ppm—well above C.F.A.'s suggested level, Howlett pointed out.

Minnesota was not the only state to propose legislation limiting the amount of formaldehyde contained in wood products. According to an August report prepared by C.P.S.C. "Wisconsin has a regulation pending in court that limits formaldehyde levels in mobile homes to 0.4 ppm, while in Texas a disclosure notice requirement warns purchasers of mobile homes of possible health effects from formaldehyde."

The report not only stressed the importance of lowering u.f. levels in mobile homes but also in pressed wood products. With the growth of the do-it-yourself home repair market, more and more consumers will be exposed to u.f., the report said.

DIYers accounted for about half of the $50 billion spent in 1981 on home repairs and remodeling, the report said. Although the report didn't recommend specific emission levels, it did suggest that the C.P.S.C. staff "gather information on the feasibility and costs of various levels which would need to be balanced against the health benefits of lowering formaldehyde."

FUTURES

Two weeks ended Dec. 10, 1982

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Jan.	171.40	159.40	163.60	165.30	3,907	205.50	139.00
March	183.70	173.30	178.40	177.80	3,293	209.80	146.80
May	190.50	181.10	187.40	185.40	1,321	202.00	151.50
July	198.50	190.20	197.10	194.50	951	201.00	158.00
Sept.	201.00	193.60	200.70	197.80	782	201.60	163.80
Nov.	201.80	195.00	201.40	197.50	295	202.50	168.00
Jan. '84	208.50	201.00	205.50	204.00	70	210.50	179.00

Total Contract Vol. (Through 12/10): 23,957 — **Previous Two Weeks: 19,478**
Total Open Interest (As of 12/9): 10,626 — **Previous Week: 10,910**
Cash Price: $156.50 — **Previous Week: $160.72** — **Year Ago: $141.12**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Jan.	198.50	187.50	188.80	192.50	990	218.60	157.00
March	202.60	191.80	192.80	196.50	461	203.80	162.50
May	206.50	196.00	197.20	200.20	198	207.20	167.00
July	209.70	200.80	201.30	204.20	188	211.50	170.00
Sept.	212.00	204.50	205.60	207.50	41	214.50	185.00
Nov.	216.70	207.00	207.50	210.00	25	217.60	207.00

Total Contract Vol. (Through 12/10): 2,486 — **Previous Two Weeks: 1,484**
Total Open Interest (As of 12/9): 1,903 — **Previous Week: 1,786**
Cash Price: $190.12 — **Previous Week: $196.00** — **Year Ago: $188.16**

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	232.0	232.9	254.0

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, Dec. 9.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Ray Harrell roasted, then toasted at NLBMDA convention tribute

LAKE BUENA VISTA, Fla.—Ray Tylander opened the National Lumber and Building Material Dealers Assn.'s tribute to Ray Harrell by noting that no one could be found who had any good things to say about the recently retired vice president.

Tylander, a Lake Park, Fla., lumber dealer, said that he and co-chairman for the breakfast, Tommy Thompson, a former NLBMDA president from Champaign, Ill., were forced to ask for people who had anything bad to say about Harrell. Then, said Tylander, it was a matter of limiting the abundance of speakers to three minutes each.

The first roaster was Pete Bowers, a former lumberman now serving as H.U.D.'s deputy assistant secretary of single-family housing and mortgage activity. He noted that his home state, Tennessee, has spawned many formidable Americans, such as Davy Crockett.

In contrast, he said, "There's Ray Harrell."

Bowers and other fellow travelers in the industry then provided a litany of Harrell's alleged professional failings, nautical incompetence and general ineptitude, as a way of showing their affection and gratitude for his almost 30 years of service on behalf of lumbermen.

Their comments were part of the Ray Harrell Recognition Breakfast, held during the NLBMDA's 66th convention, Nov. 18-21, at Disney World's Contemporary Resort Hotel.

Harrell, who retired last summer as NLBMDA vice president, was concerned basically with dealer services. He became affiliated with the NLBMDA in 1966, when it merged with the Lumber Dealers Research Council, which Harrell joined in 1954.

During his career, Harrell traveled more than 1.5 million miles to assist lumber dealers. He worked with 27 different NLBMDA presidents and executive vice presidents.

The first president he worked for was Paul DeVille of Canton, Ohio, who recalled that one of Harrell's initial projects, putting together an exposition in New York, was not successful.

"We lost money," said DeVille, at the podium.

Harrell, sitting on stage behind the centerpiece of the long head table, shook his head and smiled. "Eighty thousand dollars," he said.

Former NLBMDA vice president Ray Harrell (left) accepts a check from Jim Duke, executive vp of the Louisiana Building Material Dealers Assn., at recognition breakfast held in Harrell's honor at NLBMDA's 66th convention.

The point was quickly made, however, that with experience Harrell soon improved. Some future cost savings were accrued by his sharp scrutiny of union laborers constructing an exhibition display. By following the actions of an individual worker, Harrell noticed that a flurry of activity was masking an absence of hard work and construction progress. The situation was corrected.

Other speakers, such as Paul Kay, Weyerhaeuser vice president of sales and distribution, tried to allay the impression that Harrell was an effective executive, by dwelling on his disasters as a Sunday sailor. Bowers referred to him as King Neptune of the Potomac.

Kay awarded him a long string to use when his fishing line tangles and a stick capped with an item of women's lingerie for signaling for help.

"If you get half the attention I got buying these yesterday, you'll be fine," said Kay.

Harrell accepted the award with a smile, standing at his seat and waving the white flag from side to side.

Their true token of appreciation was presented to Harrell at the end of the roast by Jim Duke, executive vice president of the Louisiana Building Material Dealers Assn.

When NLBMDA leaders heard Harrell was considering retirement, several asked him about his finances. And he reportedly kept answering, "I'm set for life." That prompted one of his friends to respond, "I don't know if he's rich or had a vasectomy."

Taking no chances, Duke, on behalf of the NLBMDA, presented Harrell with a check for more than $10,000.

NLBMDA convention

(Continued from page 2)

the Western Wood Products Assn. and the American Wood Council, the new group will attempt to stimulate greater demand in various wood markets, with a pilot program now in place in Cincinnati and another one slated for San Diego next month. Various consumer clinics and merchandising aids are supplied to participating dealers.

Howe, who will be president for one year, replaces 1982's NLBMDA leader, Doug Ashy, of Doug Ashy Building Materials, Lafayette, La. Howe's first vice president is William Morrow, Morrow & Sons, Lawson, Mo.

Key committee chairmen include Fred Engle, Gerhart Bros. Building Supply Center, Ephrata, Pa., who will direct the dealer services committee and Jim Duke who will chair the legislative and government agency affairs committee. Duke is managing officer of the Louisiana Building Material Dealers Assn.

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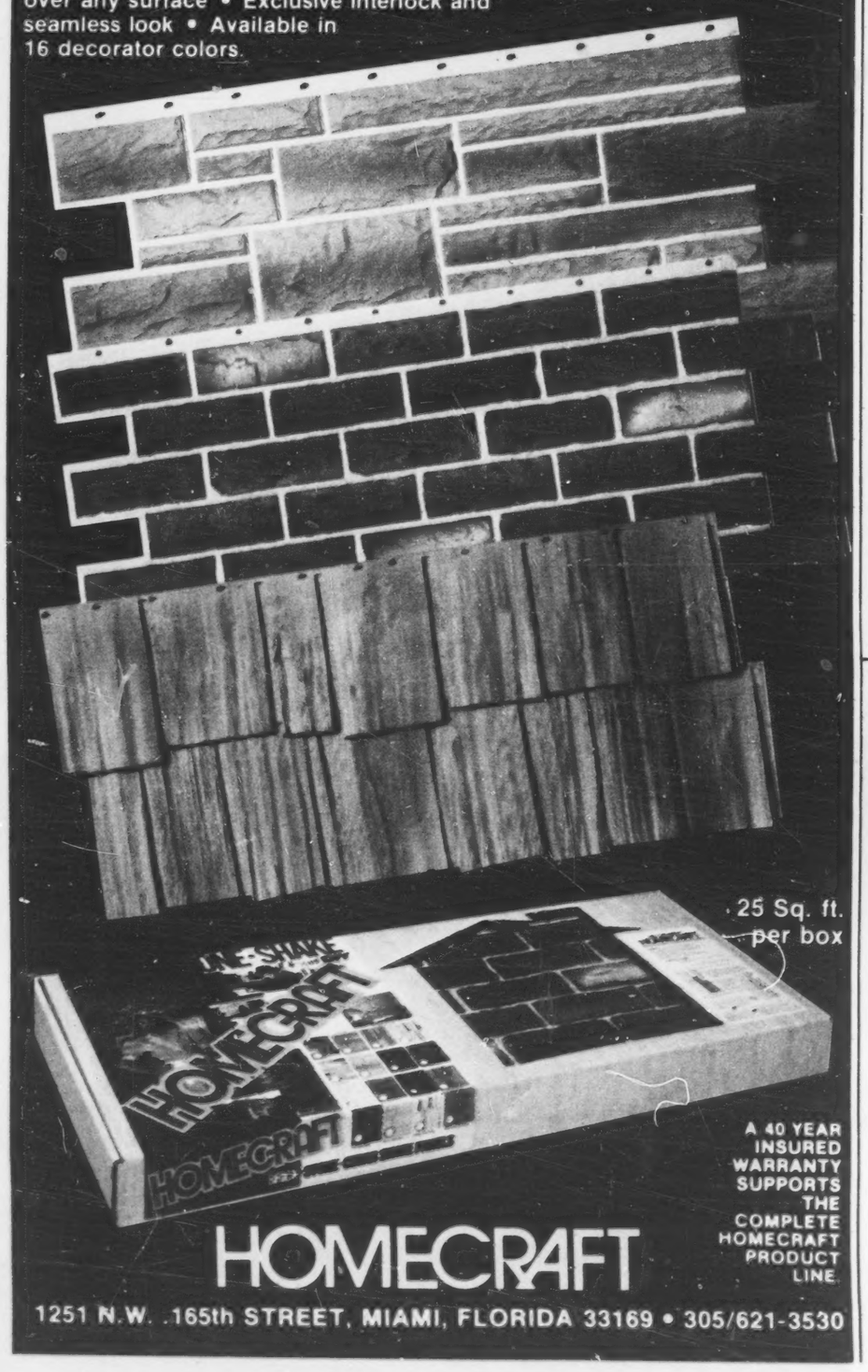

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FINANCIAL NEWS

Lowe's nears $1 billion-a-year sales

NORTH WILKESBORO, N.C.—Lowe's appears headed for its first $1 billion sales year after posting a 35% increase in November 1982 sales and a 22% rise in volume in its third quarter ended Oct. 31.

Through the first 10 months of the fiscal year, Lowe's sales totaled $868.9 million. The 233-store company would need about a 16% gain in December and January volume compared to the two months last year to achieve the $1 billion mark.

Lowe's is promoting the effort with the slogan, "Bust-A-Billion and Better," on its stationery.

Sales in the four-week period ended Nov. 27, 1982, reached $84.9 million as retail volume increased 32% to $46.6 million and builder volume rose 40% to $38.3 million compared to the same period a year ago.

The large contractor increase prompted a rise in builder business as a percentage of overall volume to 45%. Builder sales were 43% of volume during the third quarter, company officials said.

In the third quarter, Lowe's sales reached $277.6 million and helped boost net income by 58% from a year ago to $8.2 million.

Retail volume as a per cent of sales jumped from 55% to 57% on a year-to-year basis. More retail sales helped gross margin, which rose from 25.22% in the third quarter of fiscal 1981 to 25.63% in the same quarter this year.

Officials said the chain achieved the highest FIFO (first in, first out) quarterly gross margin since the first quarter of 1978, immediately after it adopted the LIFO (last in, first out) method of inventory accounting.

Lower inflation contributed to a two-thirds drop in the LIFO inventory inflation charge to 0.09% and continuing expense control limited the selling, general and administrative expense rise in the quarter to 13.2%, according to figures released by analyst Smith Barney, New York.

Pretax earnings as a per cent of sales were 5.57% for the quarter, compared to 3.8% in the same period last year.

Hechinger net up

LANDOVER, Md.—Comparable store sales at Hechinger units during their third quarter ended Oct. 30, 1982, increased 8%, company officials reported.

The 34-store chain experienced a 38% rise in net earnings to just above $3 million on a sales gain of 16% to $62.9 million compared to the third quarter of the previous fiscal year.

STOCK PRICES

	As of 12/8	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	36⅝	40¼	19¾	27
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	8¾	20⅛	4⅞	—
Forest City (AMEX)	18⅝	19	11¼	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	36⅝	46⅜	28½	5
Lowe's (NYSE)	37⅛	37¼	11¼	32
Payless Cashways (NYSE) [Furrow]	49¾	49¾	15¼	29
Scotty's (NYSE)	30	30½	12	19
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	11⅜	17	7¼	—

Over-the-counter stocks

	As of 12/8 Bid	As of 12/8 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	16	18	16	7½
Hechinger	35½	35⅞	38½	12⅛
Hines Lumber	15½	17	20	13
The Home Depot	26¾*	27*	48½	9
Pay 'N Pak	23¼	23⅝	23¼	11⅝
Pay 'n Save	32½	32⅝	33⅛	16½
Scotts Seaboard [Scott's]	1½	2¼	2¼	⅝
Wolohan Lumber	6⅞	7⅛	7⅛	3

*Reflects 2 to 1 stock split on Dec. 7, 1982

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Boise Cascade	9/30-3rd qtr.	$ 736,670	$ 781,480	– 6	$ 2,490	$18,470	–87
Diamond International	9/12-12 wks.	232,581	252,734	– 8	7,293	5,477	33
Evans Products	9/30-3rd qtr.	233,802**	218,498**	7	21,694***	17,456***	24
Erb Lumber	9/30-3rd qtr.	29,531	33,477	– 12	909	744	22
W. R. Grace	9/30-3rd qtr.	1,441,920	1,592,547	– 9	44,390	98,102	–55
Hechinger	10/30-3rd qtr.	62,856	54,420	16	3,001	2,181	38
Hines Lumber	9/30-3rd qtr.	50,675	53,700	– 6	628	– 1,654	—
Lowe's	11/27-4 wks. 10/31-3rd qtr.	84,900 277,627	62,700 227,910	35 22	— 8,168	— 5,170	— 58
The Home Depot	10/31-3rd qtr.	28,727	13,715	109	1,303	– 145	—
Pay 'n Save	10/30-3rd qtr.	254,951	228,809	11	3,328	2,003	66
Scotty's	11/27-4 wks. 10/2-1st qtr.	25,897 75,699	22,561 69,909	15 8	— 2,099	— 2,130	— – 1
Southwest Forest Industries	9/30-3rd qtr.	162,160	193,030	– 16	– 6,422	1,664	—
Wickes	10/30-3rd qtr.	679,012	916,529	– 26	–75,823	2,683	—
Wolohan Lumber	9/30-3rd qtr.	28,571	26,580	7	542	495	9

*$ in thousands
**Retail sales
***Operating income from retail group

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Sears plans to unveil six specialty paint stores

(Continued from page 1)
Chicago, for which it was issued a B-3 planned business district permit on Dec. 10. Sears officials said the other five sites have "surfaced," but declined to comment on their exact locations. However, store locales were chosen "in areas not conveniently served by large, full-line Sears stores," said Edward A. Brennan, chairman and ceo for the company's merchandising group. (The Buffalo Grove specialty outlet, that will be known as "Sears Paint and Hardware" store, will be eight miles from the nearest full-sized Sears.)

"The reason we've decided to open this kind of store now is that, through our market research, we discovered our big stores were losing market share of paint sales in certain regions because of convenience of location," explained Joseph Quinn, director of planning who will oversee the test program. "People were not willing to drive eight to 10 miles to buy paint." Industry sources assert that Sears' market share, nationwide, exceeds 20% of all the paint sold, at retail, to consumers.

Originally, the company had planned to open stores that sold only paint, but operational costs and overhead necessitated that a more diverse product mix be developed. The new specialty units will carry about 2,100 sku's, and the paint department alone will take up between 1,200-1,500 sq. ft. of floor space. Quinn said the paint presentation in the new units would be "as extensive" as the paint departments in Sears' "A," or largest general merchandise units.

Quinn added that the hard lines to be sold in the specialty stores—including hand and power tools (bearing the "Craftsman" tradename), electrical and plumbing accessories, window and door hardware, and some nonpower lawn and garden tools—were selected for their "high purchase incidence" and their being able to be supported by Sears' promotional program.

James L. Podany, director of marketing communications, said the new stores would be run by current Sears employees, although he added it has not been determined whether the company would draw from its existing store and department manager pool or use other employees in the company.

He also noted that it was "mere speculation" to assume that Sears would expand this test program to other markets at the same rate it did with its business systems centers—which grew from five units to 43 in a little over 18 months—were the specialty paint/hardware store concept to prove successful.

He noted, though, that advertising and promotion for the specialty units will be meshed with the promotional efforts of Sears' larger units in all three markets, although Podany also indicated that special promotions could be run to introduce customers to the new retail stores.

Both he and Quinn were very enthusiastic about the prospects for success of the new stores, and declined to comment on whether this was Sears' first step in developing larger, more elaborate home improvement centers. When asked if home center plans remained as part of Sears' overall marketing strategy for the future, Quinn would only say that "we are looking at anything and everything that presents merchandising opportunities."

Several industry sources were startled to hear of Sears' new plans, and questioned the feasibility of opening relatively small specialty outlets in the existing market climate.

"My initial reaction is that this is where the industry has been, not where it's going," said Marvin Wager, president of the 98-unit Standard Brands Paint Co., Torrance, Calif. "For the life of me I can't figure out what Sears is doing. The story about it opening home centers made a lot more sense."

Los Angeles is one of the few markets in which Sears does not have the greatest paint market share (about 15%-17% compared with Standard Brands' estimated 20%), but Wager conceded Sears has a very strong name recognition among California consumers.

"But the way it's getting into the specialty business puzzles me," he continued. "First of all, you can't go into a market with only two stores and expect to discover whether a concept like this will fly. And what kind of presentation does Sears expect to make with 3,000 sq. ft. of selling space? I could see if it were selling computers, but paint is not a growth product, and the market share lines have already been drawn.

"It's the independent Mom and Pop's that Sears is going to affect with this move, not the home centers and certainly not us."

Quinn insisted that the new Sears stores will be competitive with "any store that sells paint or hardware," and noted that, unlike chains such as Standard Brands, the Sears units will carry no home decorating products like wall covering or wicker furniture, "so we don't need all the floor space some of the other paint chains employ."

However, Alan Saks, president of the 35-unit Saxon Paint Co., Chicago, suggested that Sears may encounter some problems it hasn't banked on, particularly on the operations side of the business.

"The Sears people are not fools, and I'm sure they realize this plan stil! has some bugs to be worked out," Saks said. "But I see two real problems it may not be able to solve. First, Sears doesn't have the skilled department and store manager network it once did, so who is going to run these stores for them? The genius of K mart, by way of comparison, is that it trains its store managers in its smaller stores before letting them take over the big ones, but retailers generally haven't figured out how to do it in reverse.

"Secondly," Saks added, "is Sears going to run these outlets as a separate entity, or as part of its chain? If it chooses the first option, my position is terrific because Sears will be relinquishing every advantage it has."

Saks and Wager both felt that Sears chose Los Angeles, New York and Chicago because they are tough paint markets, and that market competitiveness will let Sears know almost immediately whether its new stores have a chance of surviving. But Saks felt Sears might be harkening back to its former glory days in deciding to pursue the market with this venture.

"Twenty-five years ago, Sears 'stole' the paint market because retailers and manufacturers were sleeping," he explained. "And it also was able to get the finest retail locations in the United States. Well, those days are gone for good.

"My feeling is Sears is attempting to start a new entrepreneurial business for itself, and the real question is whether it has the entrepreneurs to do it."

Payless Cashways acquires Lumberjack

(Continued from page 1)
ended Nov. 27, built 11 new stores in 1982, and Mike Didier, construction vp, said, "We plan to speed up the building program in 1983 over and above what we did in 1982."

In mid-1982 Payless purchased an independent, Dunlap's Home Improvement Center of Nora, Ind., (one store) and Brookhardt's Building Centers (three stores) in Colorado Springs, Colo.

Through the purchase agreement (which is pending regulatory approval and should be final by the end of January), Lumberjack will become a subsidiary of Payless Cashways. Payless actually purchased three Lumberjack stores, part of the land and part of the building of a fourth store, the distribution center and the leases of three additional stores with the option to buy them.

Significantly, under the terms of the agreement, not only will Lumberjack's stores keep their name, Payless will eventually change the name of five of its Furrows stores to Lumberjack. Furrows operates two stores in Sacramento, and one each in Bakersfield, Fresno and Modesto.

"Lumberjack was always our toughest competition," said Wayne Zetzman, Payless' finance vp. Lumberjack has a wider assortment of products averaging 50,000 sku's per store to Payless' average 13,000 sku's per store.

As far as changes in the stores or merchandise mix, Zetzman said the Furrows stores will add some sku's to keep pace with Lumberjack's advertised merchandise, but the prevailing philosophy seems to be to stick with a good thing.

"Lumberjack's units are roughly the same size as ours [30,000 sq. ft.], but they don't have the yards our stores generally do. However, they run a very successful operation—two of their stores did $10 million last year, another two did $9 million [all four in Sacramento], so we don't want to fool around with their concept too much."

"Lumberjack has done an excellent job of creating an image, and the chain has extremely high name recognition through their advertising," said a competitor, Richard Cushman, group vp retail, Diamond International. The Lumberjack television campaign is one of the most extensive in the home center industry—the seven-store chain spent almost half what 100-store Payless spent on TV from January through September of 1982—with the emphasis on Lumberjack as a local operator.

According to Zetzman, Jack Steiner, Lumberjack's founder and president, and members of the Steiner family will retain their management positions with Payless and administer the stores in northern California as regional vice presidents.

Lumberjack's management is considered one of the chain's great assets according to Wall Street. Several financial observers commented that in many acquisitions the purchased firm is the real winner, but in the Lumberjack/Payless deal Payless has gotten a plum. Commenting on Payless' stock offering as a method of raising cash to acquire Lumberjack, analysts agreed that it was a savvy way to control the cost of money. Cash for the purchase is offset by Lumberjack's impressive sales, and analysts say the purchase will not dilute Payless' earnings. In fact, the analysts say the chain will come out ahead.

"There's nothing broken here, so we have nothing to fix," said Lyle Gregory, merchandise and advertising manager at Lumberjack. Gregory explained where the major changes will be made in the Payless product mix to conform to the Lumberjack image.

"Payless does an excellent job at basics, but our strength is in image and seasonal items. At Payless, there is one brand of paint, and if it isn't a Stanley hammer, there's no hammer," said Gregory. He explained that items such as nursery products (Lumberjack's Stockton store has a 20,000-sq.-ft. green good department), oak furniture, a variety of tool brands—Vaughn hammers and Diston saws—were popular in the Sacramento market.

"We'll benefit from Payless' ability to organize management controls," said Gregory, who feels that Payless' management information systems are top notch and will improve management at Lumberjack, "and they'll benefit from our strength as a regional marketer."

Home center chains spending more on TV advertising

(Continued from page 1)
Pond, vp marketing of Payless Cashways, explained that the January-to-September numbers did not reflect the bulk of the television increase since the program did not go chainwide until August.

Despite the dramatic boost in ad dollars, spending as a per cent of sales increased only slightly from 2% to 2.1% or 2.2%, according to Pond. Payless could add so much for so little because one-third of the money for television advertising came from a co-op program and the company shifted funds from other media.

Payless' program usually involves four vendors per tabloid insertion and is growing. Payless sells its promotions, which are tied into a tabloid content, to vendors who pump in funds over and above co-op dollars. "One thing we didn't do," said Pond, "was increase tabloid circulation. The television exposure increased readership."

The results have been significant enough to put Payless firmly behind the new advertising program. In November, Payless had a 43% sales increase over November 1981; the figure for comparable stores was 25%. The gain rate on comparable stores ranged between 8% and 10% for most of 1982, according to Pond.

David Stanley, president, attributed the increased sales numbers throughout the fall of 1982 to new marketing plans, including increased television advertising.

Pond explained that in the two months following the latest reported figures of TVB, Payless spent about $1 million more than the company had spent through the end of September. "We don't care if we're No. 1 or No. 4; we care about spending enough to get the impact we want," said Pond."

Significant decreases in television advertising during the January-September period were made by Channel, −41%; Lowe's, −34%, and Ole's, −27%. The figures are based on a comparison to spending during the same period in the previous year. Of course, some chains may spend heavily in the last quarter of the year, and co-op money is credited to the manufacturer, so these figures are not a total indication of a chains' television posture.

Irv Koffler, Channel's advertising vp, explained that the decrease in Channel's TV spending reflected in TVB's numbers is due to the fact that "Channel went on the air later in 1982 than in 1981; when you look at the year in aggregate we will come out about level with 1981."

1982's top TV advertisers

Chain	Jan.-Sept. 1982	No. of stores	Jan.-Sept. 1981	No. of stores	% change
Builders Emporium	$1,549,000	287	$1,390,000	340	+ 11
Sutherland Lumber	1,173,100	75	471,400	74	+ 149
National Lumber	1,004,700	12	574,000	11	+ 75
Payless Cashways	782,000	100	39,700	86	+ 1,870
Plywood Minnesota	774,700	13	408,100	20	+ 90
The Home Depot	687,700	10	158,000	8	+ 335
Hechinger	627,500	34	219,900	31	+ 185
Lowe's	602,300	235	919,500	229	− 34
Ole's	578,300	33	793,500	32	− 27
Pay 'N Pak	393,600	92	292,000	88	+ 35
Mr. Good-Buys	361,700	3	235,600	3	+ 54
Menard Cashway Lumber	360,900	22	338,500	21	+ 7
Forest City	314,400	21	131,100	21	+ 140
Lumber Jack	307,600	7	300,700	6	+ 2
Channel	238,000	92	400,100	89	− 41
TOTAL TOP 15	$9,755,500		$6,672,100		+ 46

Source: Television Bureau of Advertising; NHCN chart

Payless Cashways made a dramatic increase in television advertising during the first nine-months of 1982; collectively, the top 15 chain advertisers increased TV ad expenditures by 46%, to $9.76 million.

Clarification

A price point survey on white, name brand latex paint in *NHCN*, Dec. 6, page 39, incorrectly indicated that Lowe's and Wickes offered Sherwin-Williams paint. Lowe's carries only Enterprise; Wickes carries only Magic Color.

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SPECIAL REPORT: Metro Market Outlook—pp. 11-27

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National
Home Center News ®

Vol. 9, No. 2 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. January 17, 1983

American Shelter Industries' purchase of Hardware Fair, along with its earlier acquisitions of The Home Shop and Towers Hardware, enhances the company's position in the Southeast U.S.

Hardware Fair chain to join AMSHEL's growing stable

By John Caulfield
NHCN associate editor

BALTIMORE—The principal owners of Hardware Fair have agreed to sell the 10-unit chain to American Shelter Industries (AMSHEL), the Jacksonville, Fla., real estate management and development holding company.

The agreement was signed by both parties on Dec. 29 for an undisclosed sum. A banking source familiar with the deal said the purchase price was less than the $12 million in sales volume recorded by Hardware Fair in 1982.

For AMSHEL, which acquired its first hardware operation only last year, buying Hardware Fair would be one more step in its plan to quickly build a major hardware chain in the Southeast. The company plans to take its retail store division public by 1984, according to its executive vice president, David Kirkland.

"I see nothing but plusses in this sale for our chain," said Tom Butz, Hardware Fair's general manager, who's expected to remain as the chain's president after the deal is consummated. "AMSHEL's philosophy and ours are remarkably similar."

Hardware Fair's profile fits comfortably into the mold of stores AMSHEL has been looking to buy: the chain's units are from 8,000 sq. ft.-10,000 sq. ft. and carry from 25,000-35,000 sku's. Hardware Fair employees 225 part- and full-time workers and maintains a 40,-000-sq.-ft. warehouse.

It would be the third such purchase AMSHEL has made since December 1981, when it bought the 14-unit, $9 million Home Shop in Richmond, Va., and, eight months later, the eight-unit, $5 million Towers Hardware in Jacksonville (*NHCN*, Aug. 2, 1982). It has since changed Towers' name to Home Shop and built two more units, with an additional four units scheduled to open in 1983. AMSHEL officials stated there were no immediate plans to change Hardware Fair's name.

The one real difference between Hardware Fair and Home Shop units is that the Baltimore chain has recently stocked its stores with more lumber and building materials, whereas neither the Richmond

(Continued on page 38)

Court snafu may mean delays for Wickes Cos.

By Ken Schept
NHCN senior editor

NATIONAL REPORT—When Congress went home Christmas Eve it left the nation a special gift—a bankruptcy judicial system in total disarray.

The legislators failed to resolve the question of exactly who has jurisdiction over bankruptcy proceedings, bankruptcy judges or U.S. District Court judges.

The issue was raised in June in the Marathon Pipe Line case when the authority of bankruptcy judges was challenged. The U.S. Supreme Court ruled that bankruptcy judges are not constitutionally mandated to perform all the functions designated to them under the 1978 Bankruptcy Reform Act.

Congress could have granted bankruptcy judges constitutional status or offered an alternative system for bankruptcy proceedings. It failed to do either because of a variety of reasons including partisan politics, special interest pressures and judicial jealousies.

When the Dec. 24 deadline set by the Supreme Court passed without Congressional action the 220 bankruptcy judges essentially lost their authority, which was then ambiguously restored by interim rules adopted by each Federal judicial district and based on a system devised by the Judicial Conference, a group of the nation's leading jurists headed by Chief Justice Warren Burger.

These circumstances have led to confusion and potential problems for insolvent companies and their creditors, whose proceedings clog the bankruptcy courts as the recession continues to take its toll.

The home center industry has hardly been immune to the economic malaise with Wickes Cos., the $4 billion parent of Wickes Lumber and Builders Emporium, one of the largest firms now struggling through Chapter XI reorganization. And Wickes has not been alone.

In 1981, the last year for which there are figures, 356 lumber, building material and hardware retailers filed for bankruptcy, compared with 156 in 1979, according to Dun and

(Continued on page 38)

Housing news heartens builders

NATIONAL REPORT—Three years of discouraging news have conditioned many housing analysts to be somewhat skeptical when good news breaks from the Commerce Department on new home construction figures.

But the steady uptick in housing starts that began last July and broke dramatically upward in November has created a solid base of optimism about a moderate recovery in 1983.

NHCN takes a look at the state of the DIY industry in nine selected metro markets. A special report begins on page 11.

The National Assn. of Home Builders, at presstime, was predicting 1,370,000 new homes would be started this year, a 32% increase over the 1,040,000 expected to be tallied for 1982.

"It appears that the housing recovery is upon us with a vengeance," said Barbara T. Alexander, vice president of Smith Barney Harris Upham, in her monthly "Housing Developments" report, after noting November starts were up 27% over the previous month, and 66% over the previous year.

While nearly all analysts foresee a better year in 1983 for the beleaguered housing industry, most concede that uncertainty about the course of inter-

(Continued on page 11)

Metro Market Housing Forecast

(Single & multifamily starts)

Region	1983 (% change)	1982 (% change)	1981 (% change)
Northeast 16 markets	54,539 (+14.5)	47,646 (−12.1)	54,188 (− 5.3)
North Central 21 markets	74,981 (+18.8)	63,113 (−17.6)	76,552 (−23.3)
West 29 markets	168,147 (+20.2)	139,878 (−18.9)	172,395 (−27.1)
South 36 markets	319,578 (+11.4)	286,889 (+ 2.0)	281,317 (−13.9)
U.S. TOTAL 102 markets	617,245 (+14.8)	537,526 (− 8.0)	584,452 (−17.1)

Source: National Assn. of Home Builders; *NHCN* chart

Housing starts in the nation's top 102 metropolitan markets are expected to rise 14.8% this year over 1982 and 5.6% over 1981 levels.

NEWSBREAKS

COLUMBUS LANDINGS. Payless Cashways and Sutherland Lumber have both targeted Columbus, Ohio, for new store expansion this year. Payless is constructing three stores in the market, the farthest east for the Kansas City-based chain, while Sutherland is set to open its second Columbus store.

SCOTTY'S OPENS 100TH UNIT. Winter Haven, Fla.-based Scotty's opened its 100th outlet, Jan. 6, in Greenacres City, Fla., near West Palm Beach. Chairman James W. Sweet and president Ray Cooney celebrated the chain's statewide coverage by inviting the mayors of Pensacola and Key West to join in the official cutting of a gold-guilded 2x4.

INSIDE:

ELECTRIC HEATER SALES were hurt at the end of last year by unseasonably warm weather and stiff competition from kerosene-fired heaters ..... Page 3
BARBECUE GRILLS, despite a record season in 1982, haven't convinced home center buyers to expand their selection this spring ..... Page 28

Evans may be ready to sell its DIY chains individually

PORTLAND, Ore.—Evans Products' resistance to selling individually any one of the five home center chains in its 341-unit Retail Group appears to be weakening.

Last fall, Evans announced its intention to sell off its Retail Group—consisting of the Grossman's, Lindsley, Moore's, Alamo and Hubbard & Johnson chains—in an effort to raise cash for a debut burden that totaled a combined $475 million, two thirds of which was tied to the prime rate (*NHCN*, Sept. 27, 1982). And Evans' spokesmen insisted the $1.5 billion corporation would only consider offers from purchasers willing to buy the $756 million Retail Group as a whole.

However, Evans has yet to

(Continued on page 38)

DIY Industry update

Evans closes home-building div.

PORTLAND, Ore.—Evans Products is getting out of the home building business.

The company, which has been attempting since late last summer to sell off its 348-store retail home center chain as a group without success, announced it was discontinuing its custom-built homes divisions, the home building arm of the company, following three consecutive years of operating losses.

Evans officials took a pretax loss of nearly $20 million in 1982 and anticipated a better than $40 million operating loss from the homes group for the year.

After a modest operating loss in 1980, the custom-made homes division reported a $31.9 million loss in 1981 and a 9% drop in revenues to $146.6 million.

Through the first nine months of fiscal 1982, sales fell more than 70% to $38.6 million compared to year-ago figures, providing the division with a $29.4 million operating loss. Unit deliveries were off more than 80% from the previous year, officials reported, due to high mortgage rates and consumer concerns about unemployment.

Another factor contributing to the decline was the limiting of financing opportunities through Evans, starting in 1981.

Evans participated in home building through its Capp and Ridge divisions which framed and closed homes and then had customers finish the projects themselves with Evans supplies.

Evans will continue with homes currently in progress.

In another development, Evans and its home finance subsidiary have completed loan agreements providing for secured term loans totaling $728.2 million and $40 million of secured revolving credits.

Wickes' operating profits edge up

SANTA MONICA, Calif.—"Despite the troubled nature of the economy, we are still moving forward."

So said Sanford C. Sigoloff, chief executive for Wickes Cos. here, which showed a $3.5 million operation profit for its fiscal third quarter, but recorded an overall $75.8 million net loss due to expected losses from the sale or closing of its Aldens catalog subsidiary.

For the same period last year, Wickes reported earnings of $9.7 million (restated) from continuing operations, due largely to after-tax gains of $15.4 million for the sale of securities.

Sales for the most recent quarter fell to $679 million from $916.5 million in the similar year-earlier period. For the first nine months of fiscal 1983, sales declined to $2 billion from a restated $2.7 billion in the same period last year.

In its first three quarters, Wickes reported an operating loss of $129.7 million and a net loss of $232.8 million, compared with a restated operating profit of $14.3 million and net loss of $1.9 million for the same nine-month time frame last year.

"We are pleased that efforts undertaken earlier this year are beginning to show results," said Sigoloff, who pointed specifically to a companywide store remodeling and refurbishing program.

3 Genuine divisions join Sentry

WASHINGTON—Three divisions of Genuine Hardware have recently joined the fold of 15 other wholesale distributors being serviced by the national buying and marketing group, Sentry Hardware, Cleveland.

Genuine Hardware of Atlanta ships to hardware, home center and lumber and building materials dealers in Alabama, Georgia, North and South Carolina, Tennessee, Kentucky and the Florida panhandle. Its sales are estimated at $40 million.

Genuine Hardware of Jacksonville, Fla., does more than $17 million in volume, covering southern Georgia, north and central Florida, the Bahamas, Caribbean and Central America with 18 salesmen.

And the third new Sentry member, Genuine Hardware of St. Petersburg, Fla., serves central and southern Florida.

National Home Center News.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $20 a year ($21 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 9, No. 2 January 17, 1983

Channel reorganizes buyers; Grace considering revamp

WHIPPANY, N.J.—Channel Home Centers has revamped its buying office from four divisions to three to conform with the set-up at its sister W. R. Grace chains.

The move late last year came amid rumors that Grace was preparing for another major shift in the structure of its home center division, with the consolidation of Atlanta-based Handy City with Channel and Handy Dan, Grace's Texas and Midwest operation.

In the six years since entering the home center business with the purchase of then 13-store Handy City, Grace has grown to 270 stores and six chains. The home center division has been reorganized periodically to better absorb that rapid growth. Early this year western and central regions were formed from Angels and Cashways and Handy Dan, respectively.

Handy City and Channel were not affected by that reorganization and a W. R. Grace spokesman denied that any major changes involving them are now imminent.

"A number of things are being bandied around," said Fred Bona, director of press relations. "Nothing's imminent. Nothing will happen in the next couple of months. If something with home centers is to be done it would be part of a larger picture. Nothing's been decided."

He would not say whether one of the matters being bandied around is the possibility of absorbing Handy City headquarters into another chain in the Grace group. But a source close to Handy City noted that the chain's stores are assessed 4.5% of their sales as a contribution towards the home office's costs. Eliminating that assessment would save more than $5 million per year.

Said another source about the possibility of absorbing Handy City into Handy Dan or into Handy Dan and Channel, "There's no question, that's been in the game plan a long time."

Bona would not discuss details of any reorganization that might be under consideration.

"Nothing happening is also a possibility," he said. "Anything that would happen in the home center division would be months away."

In the meantime Channel has reorganized its buyers into three divisions under Tom Vertitis, vp, general merchandise manager. The three division managers are Vincent Fran-

(Continued on page 37)

Organizers claim strong interest

Industry show dates draw near

NEW YORK—After the Northeastern Lumberman's Show in Boston, retailers barely had time to catch their breath before the new Winter Hardware Show in Las Vegas on Jan. 30-Feb. 1 and, four weeks later, the National Home Center Show in Dallas Feb. 27-March 3.

And it is still too early to tell whether either show will hurt the other's attendance, as both shows' organizers claim that preregistration of both manufacturers and dealers has exceeded expectations.

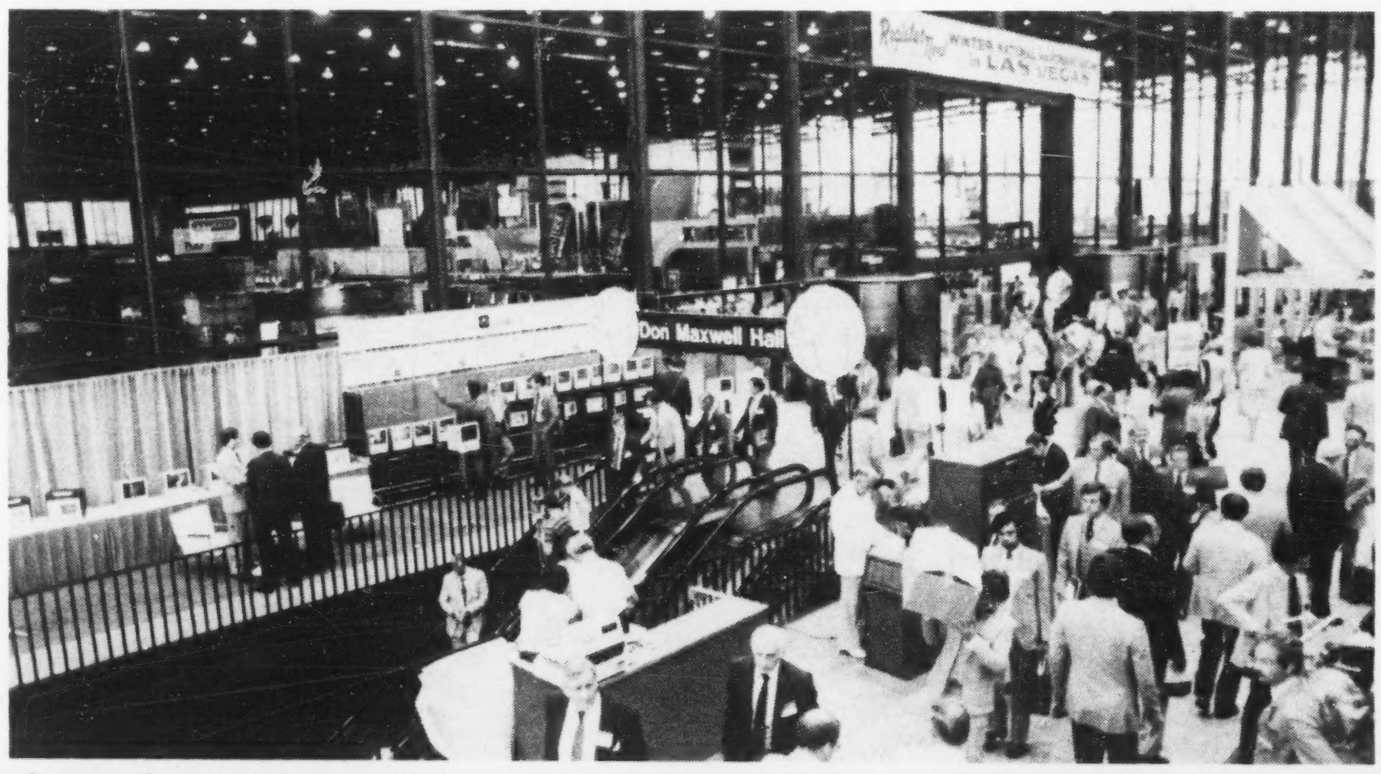
"This is one of the toughest times the hardware industry has ever gone through, and it's important for retailers and manufacturers to know each others' strategies, which is why our show's preregistration has gone past our goals," said John Bailey, director of public relations for Frank Barth Inc., the advertising agency representing Cahners Publishing, Chicago, which produces and manages both the winter and summer hardware shows.

Bailey said there would be over 900 exhibitors displaying their products within 200,000 sq. ft. at the Las Vegas Convention Center. While he would not reveal how many dealers and wholesalers have said they would attend, he noted that over two-thirds were from outside the Western States. Cahners' press literature estimates attendance to be around 30,000.

"In this industry, everything is done at the last minute, and we're expecting a hell of a lot of executives to sign up for the show in the next few weeks," he said.

Vance Publishing, Chicago, is counting on the majority of those home center executives to be signing up for its show as well, the eighth annual National Home Center Home Improvement Congress and Exposition. According to convention

(Continued on page 37)



A scene from last August's National Hardware Show at McCormick Place, Chicago, where banners beckoned attendees to register for the upcoming Winter National Hardware Show in Las Vegas.

Business leaders have high hopes that economy will improve in '83

NATIONAL REPORT—The Conference Board, which has queried business leaders on their economic expectations for the past seven years, indicated the results of a fourth quarter survey in 1982 are close to being the most positive in the survey's history.

Executives' expectations for their own industries and the overall economy are at an all time high as far as the outlook for the next six months is concerned, the survey found.

The business research organization surveyed 1,500 chief executives representing a cross section of business categories. The results indicated that the strongest expectations for 1983 profits are in retailing, nonbank finance, rubber, chemicals and electrical manufacturing.

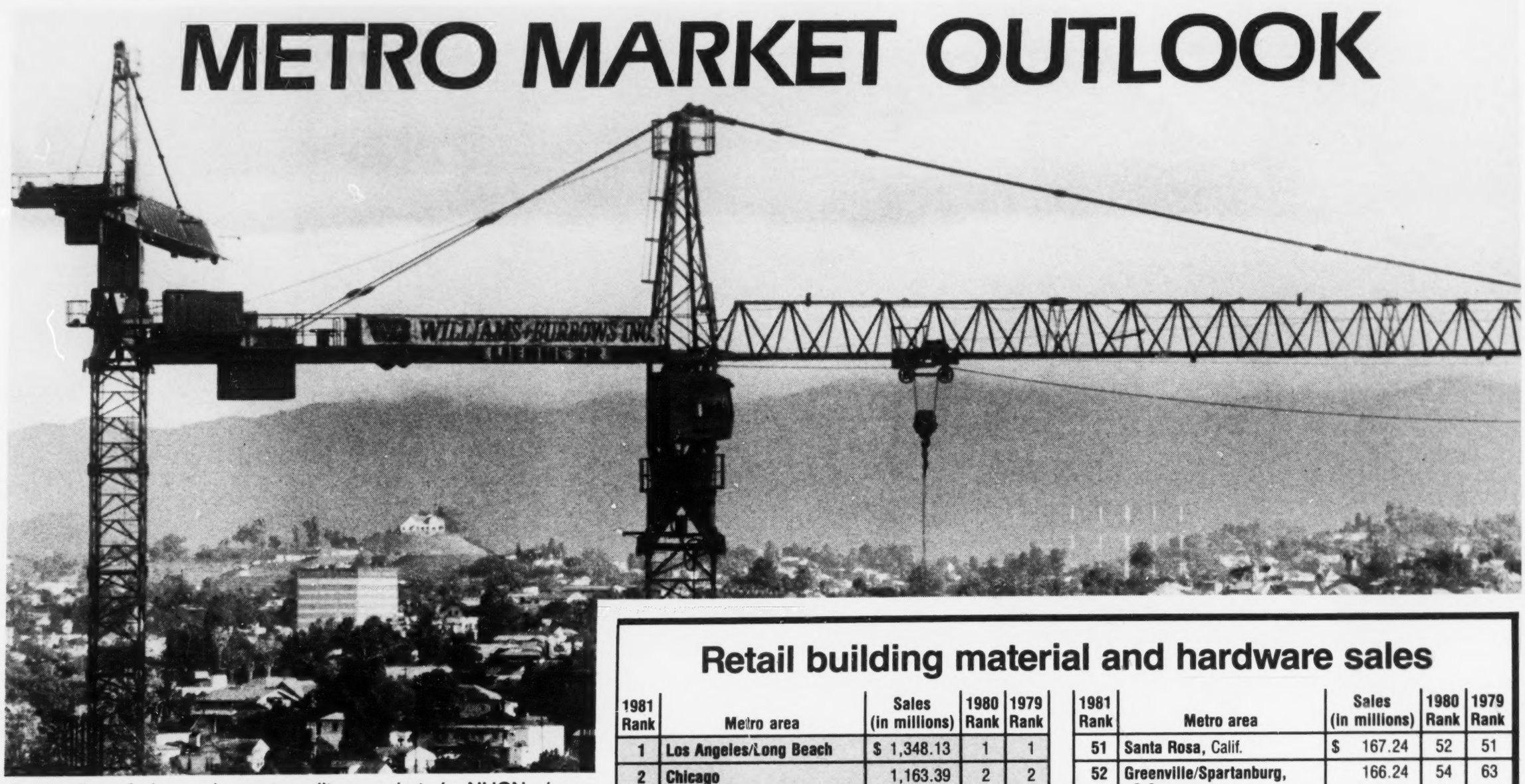
The board's measure of business confidence (measured on a scale of 0-100) reached 60 at year-end, a figure which is 17 points above the year before figure.

Appraisals of the economic outlook rose in all but one industry (transportation), and executives' expectations for their own industries improved in all but two sectors (business services and mining).

The profit outlook perked up as business leaders anticipated a rebound in their industries' after-tax profits in 1983. According to the survey, 61% of the executives expected their profits to be higher in 1983 than in 1982, compared with only 42% who predicted an improvement in 1982.

"It is important not to read too much into this," cautioned Lora Collins, director of business conditions analysis at The Conference Board. "What the survey found is simply that a high percentage of the business leaders expect conditions six months from now to be better than current conditions—and the current situation in many industries is severely depressed."

METRO MARKET OUTLOOK



A sampling of nine major metropolitan markets by NHCN *shows that while opportunities for growth still exist, most metro markets have become very competitively priced over the past year-and-a-half. Los Angeles, above, retains its No. 1 rank in building material and hardware sales (See Top 100 markets at right).*

Retail building material and hardware sales

1981 Rank	Metro area	Sales (in millions)	1980 Rank	1979 Rank
1	**Los Angeles/Long Beach**	$ 1,348.13	1	1
2	**Chicago**	1,163.39	2	2
3	**Houston**	959.71	3	4
4	**Detroit**	814.88	4	3
5	**Anaheim/Santa Ana/ Garden Grove,** Calif.	684.17	5	9
6	**Minneapolis-St. Paul**	643.16	9	6
7	**San Francisco/Oakland**	642.82	7	10
8	**New York**	629.87	6	5
9	**Washington, D.C.**	610.82	13	15
10	**Seattle/Everett**	610.46	8	12
11	**Riverside/San Bernardino/ Ontario,** Calif.	600.34	11	11
12	**Dallas/Fort Worth**	595.18	14	13
13	**Boston/Lowell/Brockton/ Lawrence/Haverhill**	579.27	12	7
14	**Philadelphia**	568.13	10	8
15	**San Diego**	548.44	15	14
16	**Denver/Boulder**	439.55	16	18
17	**San Jose,** Calif.	439.16	17	20
18	**Atlanta**	422.06	18	21
19	**St. Louis**	417.08	20	16
20	**Pittsburgh**	396.47	19	17
21	**Baltimore**	366.00	22	25
22	**Nassau/Suffolk,** N.Y.	365.17	21	19
23	**Sacramento,** Calif.	352.64	24	23
24	**Phoenix**	351.44	23	22
25	**Tampa/St. Petersburg,** Fla.	311.57	25	28
26	**Cleveland**	293.91	26	24
27	**Fort Lauderdale/ Hollywood,** Fla.	270.92	27	36
28	**Miami**	269.69	32	37
29	**Indianapolis**	267.34	31	30
30	**Milwaukee**	262.84	30	27
31	**Portland,** Ore.	258.69	28	31
32	**Newark,** N.J.	245.86	29	26
33	**Birmingham,** Ala.	242.79	34	38
34	**Kansas City**	241.59	37	29
35	**Cincinnati**	238.94	35	32
36	**Salt Lake City/Ogden**	234.66	36	33
37	**Oklahoma City**	233.45	33	39
38	**Tulsa,** Okla.	227.63	38	47
39	**Akron,** Ohio	213.47	39	35
40	**Columbus,** Ohio	211.98	41	34
41	**Greensboro/Winston-Salem/High Point,** N.C.	210.60	40	43
42	**Louisville,** Ky.	203.27	42	42
43	**Bridgeport/Stamford/ Norwalk/Danbury,** Conn.	198.27	43	40
44	**Grand Rapids,** Mich.	179.37	48	41
45	**Nashville/Davidson**	178.10	44	48
46	**Hartford/New Britain/ Bristol,** Conn.	172.72	46	46
47	**Austin,** Tex.	172.35	51	53
48	**New Orleans**	170.49	47	50
49	**Norfolk/Virginia Beach/ Portsmouth,** Va.	169.16	55	67
50	**Charlotte/Gastonia,** N.C.	168.87	50	54
	TOTAL TOP 50	**$20,396.85**		

1981 Rank	Metro area	Sales (in millions)	1980 Rank	1979 Rank
51	**Santa Rosa,** Calif.	$ 167.24	52	51
52	**Greenville/Spartanburg,** S.C.	166.24	54	63
53	**Buffalo,** N.Y.	166.20	45	44
54	**Orlando,** Fla.	165.37	59	64
55	**Rochester,** N.Y.	162.02	49	45
56	**Johnson City/Kingsport/ Bristol,** Tenn.	161.45	56	58
57	**Memphis**	159.20	57	55
58	**Las Vegas**	158.72	60	65
59	**Knoxville,** Tenn.	157.38	58	59
60	**Baton Rouge,** La.	157.01	53	62
61	**Dayton,** Ohio	156.84	61	49
62	**Beaumont/Port Arthur/ Orange,** Tex.	155.11	62	72
63	**Jacksonville,** Fla.	154.17	63	66
64	**Fresno,** Calif.	145.19	66	60
65	**Bakersfield,** Calif.	144.10	70	78
66	**Des Moines,** Iowa	142.16	69	57
67	**Eugene/Springfield,** Ore.	141.36	64	76
68	**San Antonio**	139.27	68	74
69	**Albany/Schenectady/Troy,** N.Y.	138.75	65	52
70	**Providence/Warwick/ Pawtucket,** R.I.	135.39	71	56
71	**Lancaster,** Pa.	134.30	67	61
72	**Wichita,** Kan.	131.99	72	69
73	**Reno,** Nev.	126.77	81	85
74	**Mobile,** Ala.	126.36	73	83
75	**Richmond,** Va.	126.36	76	92
76	**Gary/Hammond/East Chicago,** Ind.	126.00	78	68
77	**Spokane,** Wash.	125.86	74	86
78	**Peoria,** Ill.	124.89	77	70
79	**Tacoma,** Wash.	122.14	79	89
80	**Wilmington,** Del.	121.62	75	88
81	**Fort Myers/Cape Coral,** Fla.	121.26	86	100
82	**Springfield/Chicopee/ Holyoke,** Mass.	119.99	84	79
83	**Salem,** Ore.	117.55	80	91
84	**Portsmouth/Dover/ Rochester,** N.H.	117.06	88	—
85	**Toledo,** Ohio	116.89	85	73
86	**Amarillo,** Tex.	116.21	87	112
87	**Allentown/Bethlehem/ Easton,** Pa.	116.08	82	75
88	**Lakeland/Winter Haven,** Fla.	114.74	91	103
89	**Northeast Pennsylvania**	112.83	83	71
90	**Charleston/No. Charleston,** S.C.	112.01	89	106
91	**Modesto,** Calif.	111.21	90	87
92	**Davenport,** Iowa/ **Rock Island/Moline,** Ill.	110.11	93	81
93	**Boise,** Idaho	108.01	95	97
94	**Madison,** Wis.	106.60	98	80
95	**New Haven/West Haven/ Waterbury/Meriden,** Conn.	106.55	94	82
96	**Albuquerque,** N.M.	106.36	92	94
97	**Flint,** Mich.	106.17	99	77
98	**Chattanooga,** Tenn.	105.00	96	105
99	**Worcester/Fitchburg/ Leominster,** Minn.	103.79	97	84
100	**Oxnard/Simi Valley/ Ventura,** Calif.	101.20	106	104
	TOTAL TOP 100	**$26,965.88**		
	PER CENT OF U.S.	**70.1055**		
	U.S. TOTAL	**$53,817.50**		

Source: Sales & Marketing Management

Rise in housing starts lifts builder optimism

(Continued from page 1)

est rates and the economy generally has tempered their estimates for a strong gain in housing starts.

In a quarterly metropolitan housing report published in November by the NAHB, a total of 102 "metro forecasters" projected that housing starts in the nation's leading markets would increase by only 14.8% over 1982, and 5.6% above 1981 figures.

The greatest resurgences regionally are foreseen in areas where building fell sharpest, the report noted. The forecasters predicted starts in 29 major Western markets will increase 20.2% over 1982—more than any other region—but will still be 2.5% below 1981 levels.

In 21 North Central markets, starts are expected to surge 18.8%, the report said, but would also fall about 2% below 1981 figures.

The Northeast, "which never really recovered from the 1974-75 recession," according to market forecasts there, will see 1983 housing starts matching 1981 levels, with a 14.5% gain over 1982.

In the South, where Dallas-Fort Worth and Houston alone accounted for more than a third of all Southern metro-area starts and a fifth of all starts in the 102 metro-areas reporting nationally, new home construction is expected to rise 11.4% in 36 top markets. The South is the only region that shows an increase (2.0%) over 1981.

One reason some analysts are optimistic about the longer term outlook for housing nationally has been the marked decline in interest rates over the past several months, combined with the introduction of new money market fund accounts in December, by the thrift institutions.

The savings and loans, which saw a $25.5 billion net outflow of potential mortgage funds in 1981, and a $16.7 billion net outflow through November of 1982, are hoping the new instruments will make them more competitive with other financial institutions in attracting savings. Whether the new funds will actually be used for home loans remains to be seen, although their short-term nature makes it doubtful.

Nonetheless, analysts also point to the fact that contract mortgage loan rates have subsided from 14.61%, in November 1981, to 13.28% this past November, and that new home prices are even with last year.

The brighter outlook for housing is good news for home center chains.

While most chains pursued a course of increased productivity, rather than expansion, to maintain growth, during 1982, it is expected that the tighter controls and improved employee performance will reward chains with bolstered profits as the economy begins to expand in 1983.

A sampling of nine major metropolitan markets by *NHCN*, however, shows that while opportunities for growth still exist, most metropolitan markets have become very competitively priced over the past year-and-a-half.

Advertising has become extremely important for many independents and small chains in order to maintain competitive image with chain outlets, according to DIY dealers.

Moreover, dealers report that consumers, bombarded with the heavy promotions of all types of retailers, have become particularly price-conscious in shopping over the past year, exacerbating the need for promotional pricing.

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METRO MARKET OUTLOOK

Charlotte's fast growth beckons home centers

CHARLOTTE, N.C.—This city of more than 314,000 is saddled with an identity problem: it has no national image.

With no professional sports teams or cultural centers, an admitted shortage in hotel rooms and, up until last spring, an antiquated airport, Charlotte remained the South's best kept secret, particularly by those who assess the South's business growth in terms of Atlanta or Houston.

However, Charlotte actually is the largest city in the fifth largest urban region in the United States, the Piedmont Crescent, which is bigger than the region in which Atlanta is located. The new Douglas Airport was completed in May, and Charlotte is beginning to attract large businesses that, in the past, would bypass it in favor of the better-known southern cities.

Through the first nine months of 1982, 202 companies created 4,299 jobs and invested over $295 million in Charlotte, according to its Chamber of Commerce. The market's SMSA had an unemployment rate for October of 7.7%, higher than its October 1981 rate of 4.8%, but considerably lower than the 10.8% national average or the 9.3% for the state of North Carolina. As a city, it ranks 11th nationally in wholesaling ($8.98 billion) and has over $20 billion in banking assets, compared with Atlanta's $15 billion. Yet, its no-name image persists.

"People and companies are always asking us for information on 'Charlottesville,' or Charlotte, S.C., or Charleston, W.Va.," said Tony Crumbley, the Chamber of Commerce's director of research. "We don't have anything the rest of the country immediately identifies with."

However, as far as home centers are concerned, Charlotte has already "arrived" as a competitive market, ranking 50th nationally in hardware and building material store sales ($168.9 million). Lowe's (three units), Handy City (two), 84 Lumber (three), Carter Lumber (three) and Moore's (four) all operate stores here and Hechinger has two stores scheduled to open April 1 on the northeast and south sides of the city. (This is Hechinger's first entry into the Charlotte market.)

Its new South Boulevard unit, down the street from Lowe's and Handy City stores, will be 61,000 sq. ft., according to the blueprints at the construction site. The 34-unit Landover, Md., chain is spending an estimated $1 million to renovate each of these stores, which were formerly part of the Zayre chain.

"Obviously, we view the Charlotte market as one with very strong growth potential," said Joan England, Hechinger's vp-sales promotion, adding that the chain selected the sites not because the Zayre stores became available but because "they were the right sites. We've turned down many sites in several cities because they weren't suitable to our needs." England did not wish to comment on how much Hechinger might spend in initial advertising, or where other Hechinger stores in the Charlotte market may crop up.

In anticipation of Hechinger's arrival, as well as of faster development throughout the Charlotte market, several other chains here have either physically revamped their stores or have made operational changes, including:

- Lowe's, which has converted its stores here to conform with the chain's "RSVP" remerchandising effort. At its South Boulevard unit, Lowe's tore down a 7,000-sq.-ft. showroom, built in 1966, and converted its 13,250-sq.-ft. warehouse into retail selling space. Dwight Pardue, executive vp-store operations, said this was done to give that unit more parking space and blend it into Lowe's push toward a greater DIY image;
- Handy City's two Charlotte units, which had six-month sales through July 1982, of $1,280,000 and $1,027,000, are being renovated to conform with their sister stores in the Handy Dan chain. This renovation will include raising gondolas from 5 ft. to 6 ft. and employing more bulk merchandising in the building materials and lumber departments. The conversion is expected to be completed by mid-January, but the chain's store in nearby Gastonia will not be renovated until after the first quarter of 1983, according to regional manager Tom Johnson;
- 84 Lumber has just moved into a new regional office, located right next to its Pineville, N.C., unit on the outskirts of Charlotte. A recent visit to the office revealed the paint was hardly dry on its walls—telephone wires were still being installed and the office had not been furnished completely. Regional manager Paul Beattie declined to comment on how extensive a region this new office would oversee, and refused to be interviewed on the Charlotte market or 84's position in it.

Most retail and manufacturing sources in Charlotte contend that the market is somewhat unique because there are no strong independent home improvement centers operating here.

In a more general vein, the Chamber of Commerce's Crumbley commented that Charlotte had a lot more going for it than "other, larger southern cities." For instance, the market's average household income is $26,500, one of the highest in the Southeast, while its housing costs hover around the $67,500 national average. He also noted that, unlike Atlanta, Charlotte has seen "more controlled growth." (It's SMSA population

(Continued on page 27)

Construction crews gut a 61,600-sq.-ft. Zayre unit on the south side of Charlotte in preparation for one of two Hechinger units being built in the Charlotte market, scheduled to open April 1. NHCN photo

The Charlotte market

Demographics

Population—650,400	**Population, aged 25-49**—36.7%
Disposable income—$5.78 billion	**Total retail sales**—$3.11 billion
Building materials/hardware sales—$168.9 million	

Source: Sales and Marketing Management

Housing Profile

	1983p	1982e	1981
Total housing starts	3,700	3,390	4,033
Per cent change from previous year	9.1	−15.9	12.1
Single-family starts	2,000	1,772	1,932
Per cent change from previous year	12.9	−8.3	−20.4

p—projected; e—estimated

Source: National Assn. of Home Builders

Price wars, building, help spur Rockies market

By Greg Puchalski
NHCN senior editor

COLORADO SPRINGS—Tom Watt, president of Brookhart's Building Centers, expresses no regret over the sale of his two stores here to Payless Cashways less than six months ago (*NHCN*, July 19, 1982) so his chain could concentrate on more rural Colorado markets.

"I could see the handwriting on the wall," Watt explained. "Payless was going to buy us or build more stores. When I see all the ads in the market now, I think we did the smart thing."

Watt is not alone in his feeling that the Colorado Springs market has become highly competitive, resulting in its home center shoppers becoming very price-conscious. In one sense, Hugh M. Woods president Randy Woods notes, that's not bad.

"The fact that there are price wars is creating a market itself," he said. "It makes up for too many competitors. People just start buying because of the prices."

Woods believes that Colorado Springs is overstored. He compares the area, where he operates one unit, with the Las Vegas market, where he plans to open two stores this year.

Nine consumer-oriented outlets, including Payless, Woods, Handy Dan, Pay 'N Pak, 84 Lumber and Sutherland Lumber, serve the Colorado Springs area's 331,500 residents while 10 DIY units serve nearly half a million persons in Las Vegas.

So, what's the attraction to this city on the Rocky Mountain's front range?

Simply, its growth and the area's potential for more growth.

In the 1970's, the city itself gained 80,000 more residents to 215,000. Not coincidently, housing starts, despite the national economy, have continued to increase from 3,050 in 1981 to a projected 3,450 last year and 3,750 this year, according to the National Assn. of Home Builders.

"The growth is well-publicized and will probably continue," said Ken Brosh Jr., whose family runs the area's most successful single-unit independent, Crissey Fowler Lumber. "The electronics industry is developing a liking for the area and we have a large military commitment here."

Fort Carson Military Reservation, Peterson Air Force, Base, the North American Defense Command and the Air Force Academy are examples of the armed forces interest in the area.

"An awful lot of people in the military come back here when they retire too," Brosh adds. No doubt, the scenic beauty and easily accessible leisure time activities are plusses in favor of a move to the area.

To prepare for an influx, for example, the Briargate Development Group is building Briargate, a community in the northeast section of Colorado Springs to house 100,000 persons. The group will build 600 homes this year and will eventually feature condominiums and multifamily dwellings as well, according to a spokesman.

Don't call them if you need a house in the area quickly, though. "We're sold out of lots until 1984," the spokesman said. "The builders can't build fast enough."

The National Assn. of Home Builders projected a 14% increase in single-family starts for 1982 to 2,980 units and an 11% rise this year to 3,300 units from the prior years for Colorado Springs.

While the market hasn't achieved its full potential yet, however, DIY retailers have flocked here.

"It's attracted the attention of those who were on the outside," a competitor pointed out. "They wanted to be here and I think the feeling was that you had to get in there now before the others."

Woods and Payless, in part, are examples of that thinking. Woods, opened its unit in the market less than a year and a half ago, and although Payless's original unit is well-established, the chain strengthened itself in the area with the Brookhart's purchase.

Competitors, however, cite Woods and the three Payless stores as the prime suspects in the Colorado Springs price wars.

"Those guys are paranoid about each other," said an area retailer. "They've lost all sight of what's prudent. It seems they don't care how much money they lose so long as they keep one step up on the other. This hurts everybody."

A recent price for ½-in. by 4-ft. by 8-ft. drywall at Payless was $2.19, another retailer related.

"Woods was the factor that caused most of it, but the big horse, Payless, won't let them play their game," a dealer said. "Woods seems to be selling way below cost. I think there's enough business to go around. Even the construction business is busier than ever."

"There are a lot of low-margin, high-volume-type outlets," Woods responded. "You have to have a reason for coming to us and that's price. It comes down to the others wanting to meet

(Continued on page 27)

The Colorado Springs market

Demographics

Population—331,500	**Population, aged 25-49**—36.5%
Disposable income—$2.5 billion	**Total retail sales**—$1.4 billion
Building materials/hardware sales—$74 million	

Source: Sales and Marketing Management

Housing Profile

	1983p	1982e	1981
Total housing starts	3,750	3,450	3,050
Per cent change from previous year	8.7	13.1	15.1
Single-family starts	3,300	2,980	2,610
Per cent change from previous year	10.7	14.2	13.5

p—projected; e—estimated

Source: National Assn. of Home Builders

METRO MARKET OUTLOOK

Retailers break virgin ground in Milwaukee

MILWAUKEE—For years, home center chains have shied away from this Lake Michigan market. Despite the presence of Grossman's, the home center concept has gone largely unrecognized here as consumers tended to follow the familiar tracks to local lumber and hardware outlets.

Now, however, DIY dealers are breaking ground in Milwaukee, not so much because its economy and outlook have improved dramatically, but because, perhaps more than anything else, it remains one of the last virgin home center territories in the country.

The long-standing reports that Menard's, the Home Depot of the upper Midwest, was planning to enter this market will bear fruit early this year when the Eau Claire, Wis.-based chain opens its first home center on the North Side of town. Dealers in the area feel that outlet will be the first of at least three Menard's units here.

Observers feel the tight-lipped, clandestine chain will rock Grossman's and two-unit Kelleys Sawmill, the predominant lumber and building materials retailers in Milwaukee, with its low-price orientation.

The fray may include newcomer Hal's, which continues its drive to carve a market of its own in Milwaukee in its first year of business with two units and plans for a third soon.

Other competitors to home centers in the market include Drexel, a division of Plywood Minnesota, which is strong in floor and wall covering and kitchen cabinets, 84 Lumber, General Lumber and Big Buck Building Center in Waukesha, Wis.

"Wherever Menard's is, there's a lot of price sensitivity," noted Bob Drumm, vice president of marketing for six-unit Kindt Corp., Lomira, Wis.

As for Milwaukee, he added, "It'll be war between Grossman's and Menard's."

The potential Grossman's-Menard's battle may heat up quickly: Menard's plans to locate across the street from one of the six Grossman's in the market.

Another target will be Kelleys, a short-lined, DIY-oriented dealer which regularly offers the lowest prices in town on a few selected items.

Competitors in the area say Kelleys has already challenged Menard's legally. Kelleys owner Bob Hunteman, who operated Yankee Builders until he sold out to Grossman's in the early 1970's, allegedly complained to authorities that Menard's violates a Wisconsin statute which prohibits a retailer from selling anything below a 6% markup. Hunteman could not be reached for comment.

"Kelleys won't be beat on those advertised goods," a dealer said. "He can't afford to lose the market on those items to Menard's, but Menard's offers so much more, they can just go around Kelleys."

Menards entrance into the market is not without potential pitfalls. The location of its first unit on the north side, for instance, has raised questions over whether the 21-unit chain can gain the kind of command it has in other markets.

Kindt's Drumm said if he had to locate in Milwaukee, he would choose locations on the south and west sides before the north side.

Another area retailer noted that Menard's location is "45 minutes from downtown" and is adjacent to the worst Grossman's location in the city.

Menard's outlet, now under construction, will be approximately 45,000 sq. ft., about half the size of normal, apparently to accommodate the prototype into smaller Milwaukee lots (*NHCN*, Nov. 8, 1982).

Hal's got a jump on Menard's here last year with its two stores and vice president Tom Gritz said the new chain is close to solidifying a deal for a third outlet which will feature the race track concept. Hal's officials started the company with veteran DIY executive financial backing after they noticed no pure home center competitors there.

After a shaky start, Gritz said the chain is now on line for $4 million-$5 million in sales in its first year of operations.

Hal's has been fine-tuning its operation (*NHCN*, Sept. 13, 1982) since its inception, lately with more of its own rather than manufacturer displays, discounts for local vendor employees and a television ad campaign that increased Hal's recognition. Gritz said Hal's plans more TV this year.

While Hal's moved into Milwaukee because of a lack of home center competition and Menard's may be moving in because it is a logical step in its upper Midwest strategy, other dealers have turned their backs on the market.

"Over the years, I know of several large chains which have determined Milwaukee is too competitive," with its strong independent outlets, said a local dealer.

"Milwaukee has never been a boom economy either," noted Drumm.

"Milwaukee has all of the problems of the Midwest—highly paid skilled workers, an eroding industry base and no exciting industry."

Current economic conditions have not treated Milwaukee kindly either. Unemployment in October had reached 11.8% of the work force, according to the city's Assn. of Commerce. Dealers say consumers are cautious about spending because of area industry's temporary layoff pattern.

There has been some hope, however. The association also reported that in October, three indicators, building permits, mortgages and existing home sales, were above year-ago figures as a group for the first time in five years.

Milwaukee consumers are also price-conscious, according to Norm Darrer, regional manager for Grossman's."

The Milwaukee market

Demographics

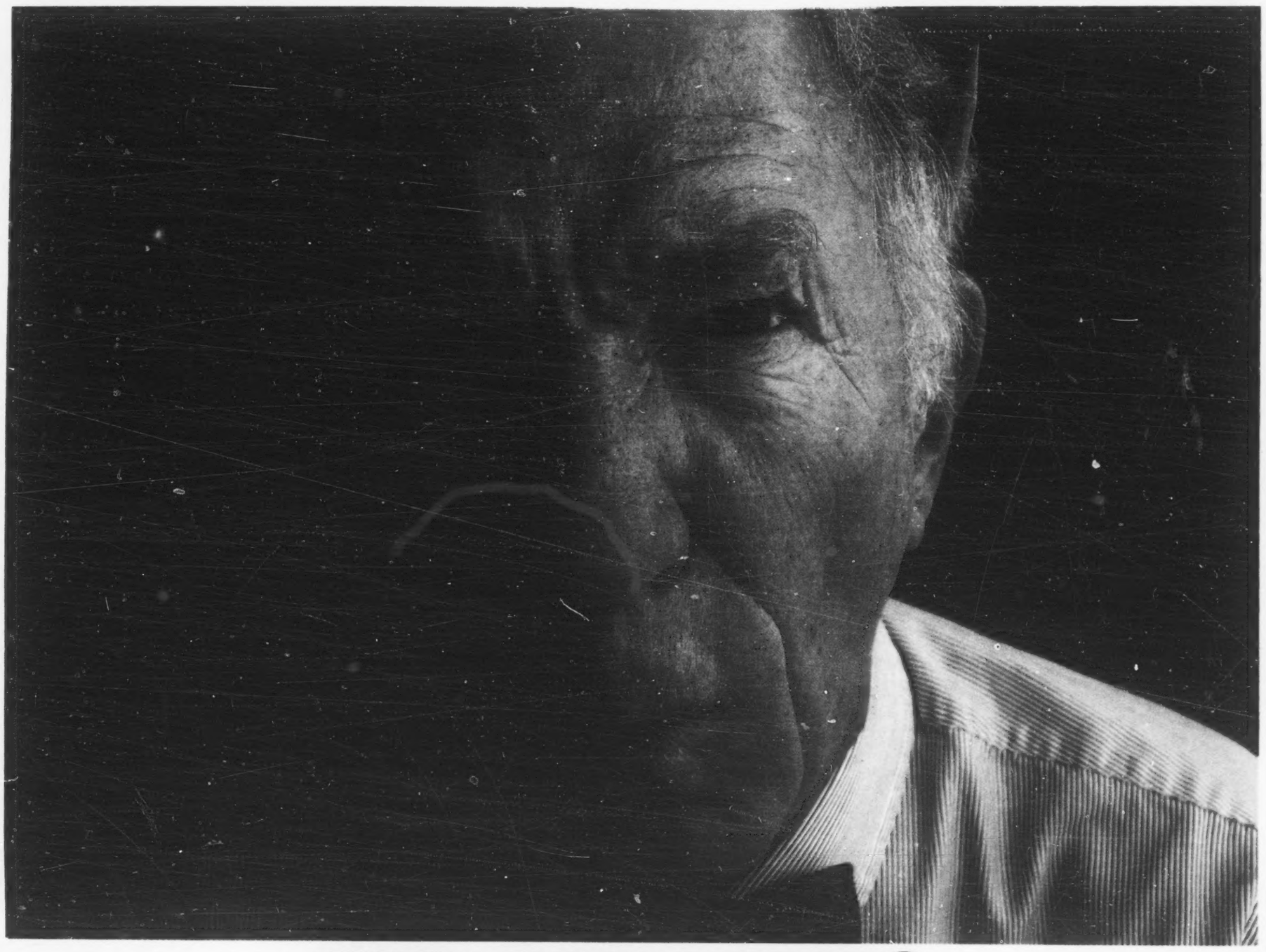
Population—1,399,200	**Population, aged 25-49**—34%
Disposable income—$13.1 billion	**Total retail sales**—$6.8 billion
Building materials/hardware sales—$262.8 million	

Source: Sales and Marketing Management

Housing Profile

	1983p	1982e	1981
Total housing starts	2,300	2,100	2,852
Per cent change from previous year	9.5	−26.4	−15.8
Single-family starts	800	700	1,045
Per cent change from previous year	14.3	−33	−22

p—projected; e—estimated Source: National Assn. of Home Builders



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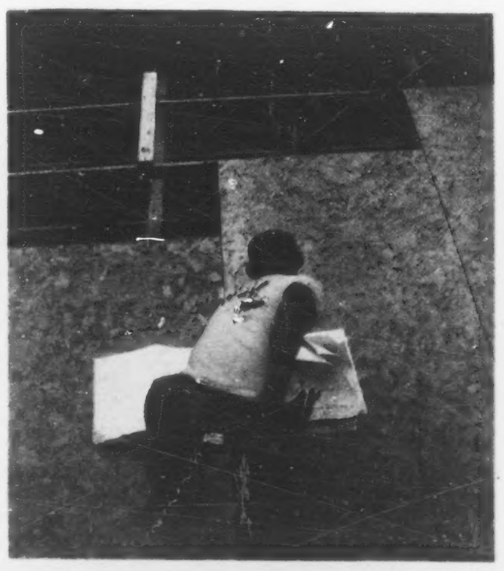

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METRO MARKET OUTLOOK

DIY chains find Vegas is not recession-proof

LAS VEGAS, Nev.—The lights of the Golden Nugget, Caesar's, and the Sands still shine bright in this dessert oasis, but much of the local economic prosperity that characterized Las Vegas has lost its luster in recent months.

Although the growth potential of Las Vegas is strong enough to be drawing Hugh M. Woods this year, in the Denver-based chain's first move outside Colorado, other chain outlets, including Von Tobel's, Ole's Home Centers, 84 Lumber and Wickes, all of which moved into the market within the past five years, have found business conditions souring.

The combination of the recession and the growth of Atlantic City, N.J., as the nation's second major gambling casino town has hurt this area, retailers acknowledge.

"Las Vegas was always known as recession-proof," related Jim Martin, who recently moved back to the Ernst division in Seattle after serving as general manager of Pay 'n Save's Von Tobel's stores here. "That's now a fallacy."

Indeed, housing starts for the area were expected to total 7,000 for 1982, down from 7,500 in 1981. Single-family starts were expected to fall even more, from 4,365 in 1981 to an estimated 3,320 last year, the National Assn. of Home Builders reported.

While Las Vegas's housing starts were rebounding in the latter half of last year, the NAHB was still projecting relatively minor gains in starts for this year.

Casinos have been forced to lay off personnel, resulting in a slightly higher unemployment rate in Las Vegas than Nevada as a whole, which recently reported a not-so-attractive 11.7% unemployment level.

These factors are likely contributing to a slowing in the growth of the population which increased metropolitan Las Vegas' total residents from 273,000 in 1970 to 462,000 in 1980. The area is just now nearing a half million people.

These factors are also likely contributing to the touble some companies are having in the market.

Three-unit Van's Builders Supply, a contractor-oriented company, is in Chapter XI proceedings and Wickes Lumber only last month shut its only store here in its Chapter XI-related closings.

"Basically, there was a big influx from a potential MX missile base here and the related Government contracts," said George LaGrange, division manager for A. C. Houston's Home Lumber chain. "This hasn't materialized."

For DIY retailers, however, the picture isn't entirely bleak. Take Hugh M. Woods and its officials' reasoning behind the impending expansion into Las Vegas.

"It's not as overstored as some of the other markets we looked at like Phoenix, Albuquerque, Salt Lake City and Kansas City," said president Randy Woods. "It would be too hard to build enough stores in Phoenix, for example, to serve that market.

"In Las Vegas, you build two stores and you almost equal in size the largest home center people there, and we could locate more stores there if we need to."

While the growth has slowed in Las Vegas, Woods still feels the market is more prosperous than other areas he viewed.

Woods said he plans to open his two units toward the end of the summer, and competitors here have expressed their interest and concern over the successful retailer's arrival.

Ernst's Martin is upbeat about the market, too.

"It's still attractive," he explained. "The Sunbelt is expanding and you'll see another boom here. There's a lot of space and it's very viable for the dealers."

Von Tobel's was founded in 1905, and Pay 'n Save has opened two more Von Tobel's since it purchased the company in 1977.

Ole's entered the market in 1980 with the purchase of Corb's Home Center. From all reports, Ole's has done well with its three units which are showing "a good growth trend," according to Ken Monson, a district manager for the chain.

A competitor called Ole's the strongest, most aggressive home center entity in the market.

Home Lumber, although only 40% of its sales is with consumers, is trying to carve out more retail volume, according to LaGrange. In its print advertising, the company has employed former baseball pitcher and now broadcaster Don Drysdale to plug the company and is looking into radio and television ads.

The chain, however, closed its north store to retail trade recently because "It did not lend itself well to retail business" and is concentrating on its manufacturing businesses there, LaGrange said. It is looking at expansion in the Henderson, Nev., area instead.

Other home center competitors include two Samon's Do-It-Yourself Centers, an 84 Lumber and a Pay 'N Pak which provides DIY competition in kitchen cabinets, plumbing and electricals.

The DIY marketers serve a community with typical do-it-yourselfers who are price-conscious.

"Until the economic crunch," Ernst's Martin said, "these people were not as price-conscious. It used to be they had a 'get it and go' attitude."

"People used to call and say, 'Send the plumber or the contractor out,'" LaGrange explained. "We get no inquiries like that any more. It's connected to the recession. People are watching their dollars more."

The nuances in the market include a significant number of apartments, which limit DIY home improvement activity, and mobile homes, which open up other sale opportunities for the stores, Ole's Monson said.

The Las Vegas Market

Demographics

Population—493,300	**Population, aged 25-49**—38%
Disposable income—$4.5 billion	**Total retail sales**—$2.9 billion
Building materials/hardware sales—$158.7 million	

Source: Sales and Marketing Management

Housing Profile

	1983p	1982e	1981
Total housing starts	7,110	7,005	7,500
Per cent change from previous year	1.5	−6.6	−6.1
Single-family starts	3,520	3,320	4,365
Per cent change from previous year	6	−23.9	5.4

p—projected; e—estimated

Source: National Assn. of Home Builders

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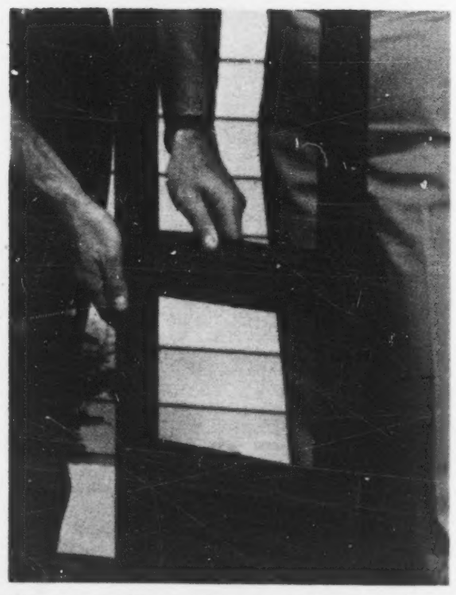

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METRO MARKET OUTLOOK

Chains discover a new Baltimore

BALTIMORE—Until about five years ago this was undiscovered territory when it came to home centers.

"We really had the market to ourselves," said Tom Butz, general manager of The Hardware Fair, which has been doing business in Baltimore for about 60 years.

The Baltimore market

Demographics

Population—2.2 million	**Population, aged 25-49**—35.4%
Disposable income—$18.9 billion	**Total retail sales**—$10.3 billion
Building material/hardware sales—$366 million	

Source: Sales and Marketing Management

Housing Profile

	1983p	1982e	1981
Total housing starts	8,810	7,290	6,520
Per cent change from prior year	20.9	11.8	−21.8
Single-family starts	6,510	5,260	5,370
Per cent change from prior year	23.8	−2.0	−20.7

p—projected; e—estimated

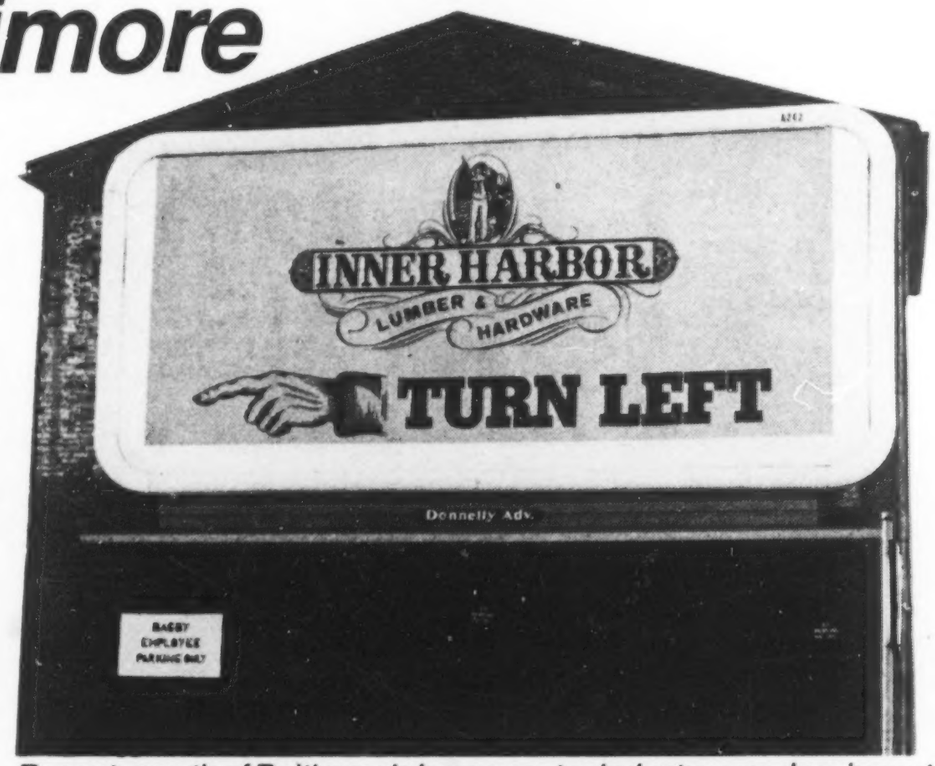
Source: National Assn. of Home Builders

In 1977 Hechinger entered the Baltimore market, where it now has five stores, including Annapolis. A few years later Mr. Goodbuys opened a unit south of the city and Inner Harbor Lumber and Building Materials was opened within the city limits. It has since opened a second store. When Scott's acquired Frank's Hardware in 1980, it added a Baltimore unit for a total of six in the metropolitan area. And rumors persisted last year that Channel was investigating several Woolco sites for a Baltimore debut.

The sudden home center activity has changed a relatively slow area into a highly competitive, price-conscious market where advertising is heavy and retailers are constantly looking for an edge.

"This past year has been one where everybody was shopping everybody else," said Scott's general merchandise manager, Charles Sullivan.

This rapid growth of home center activity occurred not only because the former lack of competition, but also because the city was changing.



Recent growth of Baltimore's home center industry was due, in part, to the resurgence of the city itself. Inner Harbor Lumber & Hardware was founded five years ago specifically to meet the renovation needs of city homeowners.

Through the 1960's Baltimore's story was similar to that of other industrial centers in the Northeast and Midwest. The core city was depressed and there was outward migration to the suburbs. When the nation's inner cities were rediscovered after the oil embargo of 1974 made commuting an extravagance, Baltimore had a large stock of substantial 19th century houses waiting to be revitalized.

A homesteading program offered depressed buildings for $1 and Government 7% rennovation loans were available. At the same time, the harbor area was developed into a waterside mall that now includes small shops, a food market, hotels, an aquarium and nearby convention center.

In short, life was breathed into the core of the Baltimore SMSA, a five-county area with a population of 2.2 million.

At the same time, Howard and Anne Arundel Counties, to the south, were developing as bedroom communities for Washington commuters. Of the existing units in Howard County, 70% were built since 1970; 23% since 1976, according to Bob Lefenfeld, who monitors building for Baltimore's Regional Planning Council.

He estimates that the Baltimore SMSA will require an additional 127,000 housing units over the next decade, or about 12,000 units per year.

While Baltimore has changed in image and fact, it still is not a Sunbelt city, and between 1970 and 1980 population only grew about 5%. Households, with more single individuals grew 21%. During the same period household income grew from $10,600 annually to $21,800. When inflation is removed, however, growth was only 4.4%, according to the Regional Planning Commission.

The intense home center competition may be related to the fact that while the pie has become somewhat more attractive demographically, it has not grown significantly.

Another factor was explained by Hardware Fair's Butz: "It's a blue-collar town," he said. "People wouldn't shop at a Hechinger because it's a chic place to shop. It's a down to earth place and you have to have the right price."

There are no high class department stores like Bloomingdale's in Baltimore. Malls for fashion-type stores are a recent phenomena. Layoffs have been heavy at G.M. and Bethlehem Steel. Unemployment is about 9.4%. Customers are shopping critically.

"We're all playing the advertising game," said Bob Heffner, manager of the downtown location of Inner Harbor Lumber and Hardware, which has two stores in the city, while most of the competition is in the suburbs.

"We keep our eye on what's advertised and at what price. Even if our customers are not

(Continued on page 29)

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REMOVABLE
SEALS OUT DRAFTS, COLD, WIND, RAIN
STOPS HEAT LOSS
SEALS 7 WINDOWS IN 7 MINUTES
Convenient, easy to-use
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METRO MARKET OUTLOOK

Los Angeles fueled by DIYers as homeowners seek to upgrade

By Brad Altman
NHCN West Coast editor

LOS ANGELES—Housing starts plummeted nearly 50% last year in the Los Angeles-Long Beach metro market, to 11,500 units—the lowest level since World War II, when such statistics were first collected.

For the most part, however, home center operators in this market did well in 1982 despite the lackluster economy.

"This market has lacked zest," one industry observer commented, "but it was anything but dull."

Home centers appear to be reaping the benefits of southern California's housing depression. Home owners are staying put, fixing up their older homes rather than moving up to more costly housing.

In the Los Angeles-Long Beach metro market, the dominant home centers, independent and chain alike, are nearly all 100% consumer oriented, and not dependent on business from the severely depressed construction industry.

Los Angeles County is often cited as one of the nation's most sophisticated and competitive home center markets. The county, with 81 cities—the most populous being Los Angeles and Long Beach—and a population of nearly eight million, is No. 1 nationally in building materials and hardware store sales ($1.35 billion, according to Sales & Marketing Management survey, July 1982).

For 1982, there appeared to be a pause in the county's ongoing DIY war as the major players retrenched from the battlefield or attempted to nurse their own wounds.

Most embattled was 62-unit Builder Emporium ($160 million 1982 est. sales), which operates more stores in the county than any other home center chain—25 units. While BE's parent, Wickes Cos., began reorganizing under Chapter XI of the Federal bankruptcy laws, BE was "making a resurgence with the support of new corporate management," according to a company official.

Despite its financial woes, BE continues to be one of the nation's leading home center television advertisers, using Wickes' chief executive Sanford C. Sigoloff as its TV pitchman in two innovative commercial spots last fall.

However, two other chains are also aggressive TV spenders—Ole's Home Centers ($188 million 1982 est. sales), with 14 of its 33 stores in the county, and National Lumber ($100 million est. sales), which operates six of its 12 warehouse-style outlets in the county.

Both BE and National Lumber are headquartered in nearby Orange County, in the cities of Irvine and Santa Ana, respectively; Ole's corporate offices are in Pasadena in Los Angeles County. Another major Los Angeles-based chain is W. R. Grace's Angels, in the City of Commerce ($96 million 1982 est. sales), which operates nine of its 15 stores in Los Angeles County.

The breadth of the Los Angeles County home center market extends to strong regional chains, such as Neiman-Reed's Lumber City, headquartered in the San Fernando Valley suburb of Sherman Oaks. Its 13 units generated $50 million sales last year.

Gardena-headquartered Homeowners DIY Centers, a five-unit chain, had 1982 sales of $28 million. Rounding out the county's top home center operators are two strong family-owned, single-unit independents, All American Home Center in Downey ($21 million est. sales), and Sackett & Peters, Whittier ($20 million est. sales).

One other major chain—San Diego-based Handyman—has two stores in the county—Northridge and Lakewood. Seven-unit LP Home Centers, in contrast, is headquartered in the Los Angeles County city of El Segundo, but its retail outlets are located in the neighboring counties of Ventura and Orange.

Home center operators in Los Angeles County found success with strikingly different merchandising philosophies in 1982. National Lumber, the high-volume, low-overhead operator which produces sales of about $10 million per unit, continued to set the pace in price points. Strong independents, including Chandler Home Center in Van Nuys, have carved out a niche by countering the "low-ball pricing and no-help image" of some home centers by going after the customer who is willing to pay more for sales personnel assistance.

For 1983, Los Angeles area home center operators report that they are cautiously optimistic that the long-awaited recovery from the recession will begin.

According to the National Assn. of Home Builders, total housing starts in the Los Angeles-Long Beach market will be up by 13% from 1982, to 13,000.

(Continued on page 29)

The Los Angeles market

Demographics

Population—7.6 million	**Population, aged 25-49**—35.8%
Disposable income—$74.7 billion	**Total retail sales**—$36.2 billion
Building materials/hardware sales—$1.3 billion	

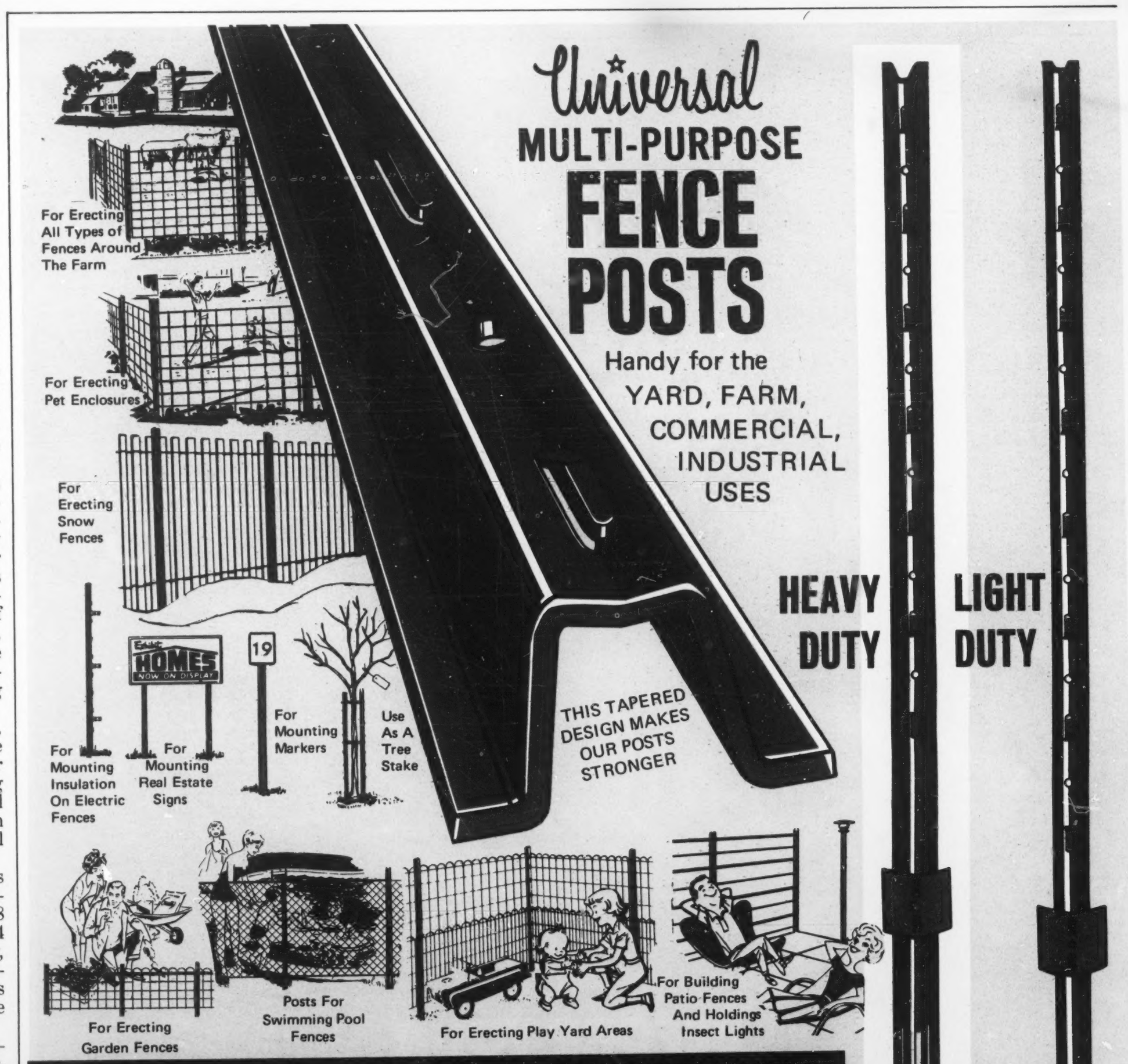
Source: Sales and Marketing Management

Housing Profile

	1983p	1982e	1981
Total housing starts	13,000	11,500	21,768
Per cent change from previous year	13	−47.2	−24.3
Single-family starts	4,000	3,500	6,368
Per cent change from previous year	−14.3	−45	−23.4

p—projected; e—estimated

Source: National Assn. of Home Builders



METRO MARKET OUTLOOK

Independents have strong grip on Long Island

By John Caulfield
NHCN associate editor

LONG ISLAND, N.Y.— This 120-mile stretch of land, with its labyrinthine highway network, densely populated cities, and proliferation of enclosed shopping malls and flea markets, is also one of the most fiercely competitive markets for home improvement retailing.

Chains like Pergament (with 22 of its 40 home centers operating in Nassau and Suffolk counties), Channel, Rickel, Grossman's and 84 Lumber have found that, unlike most parts of the country, smaller chains and firmly entrenched independents have a strong grip on the markets they serve, making it difficult for the larger chains to get a foothold in the area.

"Nassau-Suffolk was built up town by town and each area has its own strong hardware store and lumberyard," said Robert Pergament, executive vice president of the Melville, N.Y., chain.

He added that with the development of the major shopping malls that dot many areas of Long Island's geography on top of the competitive pressure from independents, Nassau and Suffolk—the two counties dividing Long Island—probably represent "the most oversaturated retail market in the country."

An executive for another chain with stores here complained that the market was so price conscious that "home centers must be extra sharp on promotion, and a company's market share depends on who's promoting what that week. We have a different price zone on the Island from our other markets, and I'll tell you we've 'taken our pants down' on quite a few items just to keep up sales." He described Long Island consumers as "clique-ish; once they decide not to shop your store, no amount of advertising will change their minds."

He conceded, though, that because of the area's media isolation from New York City, New Jersey and Connecticut, Nassau-Suffolk has served his chain well as a test market.

This geographic autonomy also extends to many of the area's demographic characteristics, and makes Nassau-Suffolk one of the more diverse, yet active, retail areas in the country:

—According to Saul Finkel, a labor market analyst for the state's Dept. of Labor, Long Island division, Nassau-Suffolk is the largest SMSA in the United States, but has not a single city with a population over 50,000. The market's total population exceeds 2.6 million and it ranks as the fifth most densely populated SMSA in the country, with 2,181 people per square mile;

—Finkel added that while one-third of Nassau County's and 10% of Suffolk County's residents commute to New York City, the market remains the third largest job market in the nation, with 900,000 positions here, and its 1.3 million labor force is New York State's second largest. The unemployment rate for the Island in October—the latest period reported at presstime—was a relatively low 6.5%;

—In Nassau County, the town of Levittown came to symbolize the "planned community" and the affordable suburban sprawl experienced by much of the country in the 1950's and 1960's. Now, only extremely high-priced condominiums and custom homes, ranging from $200,000 to $2 million, are being built.

"Our housing market has never fully recovered from the 1974-75 recession, and there is virtually no middle income housing being built in Long Island now," said Jerry Morgan, a business reporter for *Newsday*, the dominant half-million circulation daily newspaper on Long Island.

—Nassau and Suffolk Counties, as an SMSA, rank 11th nationally in disposable income ($28.4 billion) and total retail sales ($13.4 billion), according to *Sales and Marketing Management*, while having the third highest median household disposable income in the nation, $30,243.

Interestingly, the market's retail consumer is viewed quite differently by executives of home center chains and their independent counterparts. The chains perceive customers as shopping price only and as strongly affected by advertising; the independents, on the other hand claim the Nassau-Suffolk consumer is loyal, looking for quality and service.

"One of the major reasons independents are strong here is the consumer psychology that demands service from home improvement stores, which is something the chains aren't set up to provide," said Marc Paulenoff, vp for the three-unit Macrose Industries in Massapequa. "When you have the big boys in your market, you have to go after their weaknesses, which is what we do with better services."

Besides Pergament's stores, there are eight Channels, six Rickel's, six Nassau-Suffolk Lumber units, three Grossman's and a single 84 Lumber in the Nassau-Suffolk market.

Ken Latham, president of the two-store Latham Bros., Port Washington, said that, in conversation with several local lumber dealers, he found the chains' influence through advertising and promotion in the market has been minor, espe-

(Continued on page 36)

The Nassau-Suffolk market

Demographics

Population—2,615,300	**Population, aged 25-49**—34.4%
Disposable income—$28.42 billion	**Total retail sales**—$13.4 billion
Building material/hardware sales—$365.2 million	

Source: Sales and Marketing Management

Housing Profile**

	Jan.-July 1982	Jan.-July 1981
Total housing permits	2,106	2,906
Single-family permits	1,500	1,997

**Six-month figures, subject to between 10%-20% variation because of non-construction following issuance of permit.

Source: N.Y. State Division of Housing and Community Renewal

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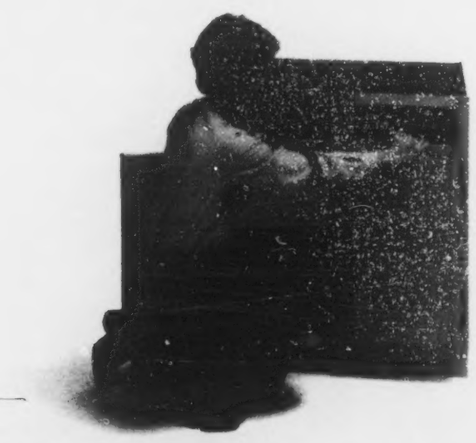

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METRO MARKET OUTLOOK

Hi-tech influx transforming Orlando market

By Kenneth Schept
NHCN senior editor

ORLANDO, Fla.—When Walt Disney turned 28,000 acres of central Florida swamp into a Magic Kingdom in 1971, nearby Orlando was still a sleepy town with little industry.

Mickey Mouse and company soon lured millions of tourists, however, and the city achieved an identity. With Cape Canaveral 45 miles due east, electronic- and aerospace-related companies also saw Orlando as an attractive place to be.

Between 1970 and 1980, the Orlando SMSA grew in population from 428,000 to 700,000, according to Commerce Dept. figures. Research by the University of Florida, Gainesville, determined that almost 90% of that growth was due to migration, probably because of the availability of jobs.

In 1982 alone, 12,000 jobs and 4 million sq. ft. of industrial space were expected to be added to the SMSA, which includes Orange, Seminole and Osceola Counties. The year ended with an unemployment rate of 7%, several points under the national average. The figures are from the Industrial Development Commission of mid-Florida.

New industry has brought new wealth. Median family income rose from $12,700 in 1976 to $20,200 in 1981, according to the Central Florida Planning Commission.

"A hell of a lot of people are coming in bringing engineering, hi-tech salaries and kicking the figure up fast," said Bill McCarty, Oceola County industrial and commercial development director.

Just as California has its Silicone Valley, "Orlando is becoming what some people have laughingly called the Silicone Swamp," McCarty said.

Housing the new migrants, mostly from the North, can mean significant business and Orlando home centers are not slumbering. They were particularly jolted last year by rumors that Atlanta's promotionally oriented, warehouse-type operation, The Home Depot, was planning to enter the Orlando market.

When that chain opens two units early this year in the Orlando market, it will join the 9 Scotty's, 4 Handy Cities, 3 Lowe's, 2 84 Lumbers and 1 West store in the quest for Orlando's building material and hardware sales, which amount to $165.3 million annually, according to Sales and Marketing Management.

The stakes are particularly attractive because they are growing. While total housing starts in the area have not been immune to the nation's recession, the National Assn. of Home Builders expects an increase in single-family units of 15.1% to 6,950 this year.

The housing trend is clearly seen in multifamily starts, which numbered 377 in 1977 and 3,549 in 1981, according to the Central Florida Regional Planning Commission. The surge resulted from the demand for apartments and condominiums created by new workers, according to McCarty, who said there is currently a multiunit shortage.

Until now, Scotty's, which recently opened its 100th store in Florida, has dominated Orlando, a market it entered during the 1950's, when the chain was still called Home Builder Supply. But even Scotty's is preparing for the arrival of The Home Depot with more advertising, deeper inventory and sharper prices.

Handy City, with fewer stores and a shorter history in the market seems more vulnerable to a Home Depot assault. By late last year, the chain had completely revamped two of its Orlando stores, casting off a neat, open appearance for a more bulk-oriented image to compete on its competitor's terms.

Gondolas have been raised from 54 in. to 6 ft. The sku count has risen from about 16,000 to over 20,000 and inventory per store was reportedly increased from $1 million to about $1.8 million in just two months.

Merchandising changes include the elimination of automotives and most housewares and an increase in seasonal items with a nearly 2,000-sq.-ft. outdoor nursery that includes trees. The stores are also stocking more Southern yellow pine dimensional lumber to obtain a sharper price point. Previously only syp studs were carried. The rest of the dimensional stock was Western.

The chain's effort to re-enforce its presence in the Orlando market also includes a Saturday morning Handy City Handyman Hour on the radio, during which Handy City manager John Coen answers questions from callers with DIY problems.

Staffing levels in Orlando stores have reportedly been beefed up to 1,200 hours per week from 850 to 900 hours in Atlanta units, by comparison.

What effect all this effort has had on the bottom line is not yet clear, but without question W. R. Grace's home center division is closely watching the performance of these Handy City units. The Orlando stores have been among the chain's strongest, with an average annual volume of about $3 million.

Store No. 206 in Altamonte Springs, on Route 436 a few miles away from a Home Depot location north of Orlando, reported net sales of $1,515,905 for the six months ended last July. Its remodeling was completed just before Thanksgiving.

The Home Depot's planned market entry should jolt competition among Orlando home centers.

Without waiting for definitive results from the remodeling, Handy City is already refitting its Atlanta stores in the new, Home Depot-type image. The elimination of the chain's headquarters in that city and consolidation of buying with Handy Dan, San Antonio, could bring economies of scale needed to better compete with Home Depot both in Orlando and Atlanta.

Scotty's has not prepared as dramatically for Home Depot's Orlando entrance. But industry observers in the market note Scotty's long experience there, its blanket of stores and reputation for sharp pricing. Many also say, however, that Scotty's lost ground to Home Depot.

"Those are fairly new stores," Harold Taylor, Scotty's senior vice president, said of the chain's Fort Lauderdale units. "They may not have come back from the recession as well as other areas."

"We're not losing sales to The Home Depot. We've been down some in the gross, but we've learned from that. We're going to deal with Home Depot as we would any other competitor. With our buying advantage we can buy as well as they can," Taylor said.

Jim Cruse, manager of Scotty's East Colonial Drive unit, just several hundred yards from the eastern limit of Orlando, said that DIY sales, about 70% of his business, were up 15% last year. Total sales for the store reached about $5 million.

"All stores in the area are carrying more merchandise than before," according to Cruse, who said his inventory had increased 35% to 40% since July.

Of the large chains best represented in Orlando, Lowe's has least reacted to the Home Depot threat.

Al Keeling, manager of Lowe's Maitland store, just north of Orlando, noted that the entrance of Home Depot had been discussed, but no specific strategy has been planned.

"We haven't really taken any serious action to outwit anybody," Keeling said.

The volume of his store is 80% contractor so it would seem less vulnerable to Home Depot's competition. Still, the unit is one of the stronger ones in the 235-store chain and will do about $8.5 million in sales for 1982.

At only 20% of the total volume, DIY sales still account for about $1.7 million. And in June the unit is scheduled for conversion to a modified RSVP format that may add 3,000 sq. ft. to its 10,000 sq. ft. of sales space.

Five months ago Lowe's opened its third store in the Orlando market in Kissimmee, Osceola County, south of Orlando near Disney World, a rapidly growing area where Scotty's opened a unit about two years ago.

According to Keeling, the new Lowe's, an RSVP unit, is now producing monthly sales of about $500,000.

West and 84 Lumber, with only three stores between them in the area, are less of a factor in the retail building supply market as are Orlando's indepen-

(Continued on page 29)

The Orlando market

Demographics

Population—474,400	**Population, aged 25-49**—34.1%
Disposable income—$6.28 billion	**Total retail sales**—$3.9 billion
Building materials/hardware sales—$165.4 million	

Source: Sales and Marketing Management

Housing Profile

	1983p	1982e	1981
Total housing starts	10,660	9,540	10,340
Per cent change from previous year	11.7	−7.7	−3.6
Single-family starts	6,950	6,040	6,720
Per cent change from previous year	15.1	−10.1	−13.3

p—projected; e—estimated

Source: National Assn. of Home Builders

The Austin market

Demographics

Population—568,400	**Population, aged 25-49**—36.4%
Disposable income—$5.4 billion	**Total retail sales**—$3 billion
Building materials/hardware sales—$172.3 million	

Source: Sales and Marketing Management

Housing Profile

	1983p	1982e	1981
Total housing starts	14,239	12,433	11,563
Per cent change from previous year	14.6	7.5	20.5
Single-family starts	7,380	6,709	6,109
Per cent change from previous year	10.0	9.8	−3.9

p—projected; e—estimated

Source: National Assn. of Home Builders

Chains bring competitiveness to a revitalized Austin market

AUSTIN—Austin, in the midst of restoration in its capital district and a homebuilding boom spreading through its outskirts, has become fertile territory for home center chain outlets.

With $3 billion in retail sales, a population of 568,400, a housing market expected to grow more than 14% in 1983, and new business such as Lockheed Corp., Motorola and Abbott Laboratories locating in town, a new wave of home center chain outlets have been attracted to the Austin market.

Chain stores are nothing new to Austin: Wickes opened an outlet here in 1969, followed by 84 Lumber six years ago, and Homer's four years ago. But it wasn't until about three years ago, when Handy Dan opened the first of three stores here, that the competitive complexion began to intensify. Furrow arrived two years ago, and now has two stores as does Standard Brands which first broke into the market in 1981.

While retailers in Austin agree that there still seems to be room for all the major players, "The climate of business changed in Austin with the onset of the chains; there are very few independent lumberyards left in Austin," said Walter von Merz, president of The Walter Tipps Co., a local hardware wholesaler.

"In the beginning, we had the DIY business to ourself, and Calcasieu Lumber [formerly Calco] and Stripling Blake had the contractors," said Jon Wallace, manager of the Burleson Road McCoy's store, one of four in the market today. While McCoy's building material emphasis is suitable for both the builder and the DIYer, its cash-only policy tended to propel its consumer business, in deference to builders. With the coming of the larger chains, Wallace noted the biggest impact was on advertising.

McCoy's had to increase its tabloids to twice a month from a monthly schedule to stay competitive in the eyes of the public. It has also had to sharpen its pricing.

The intensified competition, however, has bred a new, more sophisticated shopper in Aus-

(Continued on page 26)

METRO MARKET OUTLOOK

Local builders mix with consumers in high-end bath and hardware display at Austin's Stripling-Blake.

McCoy's Dick Perrone, store development manager, Jon Wallace, manager, and Dan Bowman, assistant manager remodeling the chain's five-year-old Burleson Road store.

Austin's growth attracts chains

(Continued from page 25)

tin. Wallace observed: "People are more price conscious here than before: They use the phone a lot."

A recent price volley between Furrow and Handy Dan in the advertised price of landscape timbers typifies the kind of price-watching now going on in the market.

Handy Dan recently issued a tab featuring its landscape timbers at $3.29. Furrow returned with an advertised price of $3.27. Handy Dan answered with $3.23 in the next shot. Furrow then dropped down to $2.99 forcing Handy Dan to drop its DIY price to $2.97 before the undercutting stabilized.

McCoy's was not the only local that had to adjust to the new chains. Calcasieu Lumber, a century-old supplier to Austin builders, ventured into the DIY market five years ago, expanding from two to six stores in the market. Over the past year, however, Calcasieu has been repositioning itself back to its builder customer base, closing four stores.

According to Nick Morris, vice president of Calcasieu, the chain will pursue a customer base of homebuilders, professional remodelers, and light commercial trade. Its stores have recently been remerchandised to become elegant builder showrooms, with its headquarters showroom flanked by 10 plush offices for the company's field sales force.

"Redefinition of the customer is what caused us to close the stores—the success or failure of the business in any of our locations," said Morris. Nonetheless, he concedes that the chains were competition.

Stripling Blake, the other major contractor supplier in Austin, has taken a different tack by becoming the high class Taj Mahal of Austin's bevy of home center stores. Stripling Blake expanded its 8,000-sq.-ft. selling space to a 30,000-sq.-ft. home center format three years ago. The store now contributes over $5 million to the company's annual sales of $27 million.

The Stripling Blake outlet with its anonymous beige brick exterior and top-of-the-line products caters as much to builders of expensive homes as female shoppers looking for elaborate kitchen and bath fixtures.

While Stripling Blake has a major lock on contractor business, Roland Prove, executive vice president, said the store's performance was encouraging enough that the company plans to "open a new 25,000-sq.-ft. store in the next year or two." The store will be located to the south of Austin where, along with Handy Dan, Homer's, Wickes, 84 Lumber, Furrow and Standard Brands, they hope to take advantage of the burgeoning home building activity along the Austin-San Antonio corridor.

Most of this building is occurring in an oblong pattern to the northwest and southeast of the city. The areas where building is occurring tend to be upper or middle income suburban settings. Austin has very low unemployment (4%) and a median income of $28,000, up from $24,000 one year ago according to the Chamber of Commerce. It has plenty of "clean industry" in addition to 81,500 government employees.

Austin's major employers are the University of Texas (16,000 employees), Bergstrom Air Force Base (6,000), IBM (6,000), Motorola (4,300), Texas Instruments (3,000), and Lockheed and Abbott Laboratories which both employ about 1,000 and are growing rapidly.

Perhaps the brightest aspect of this picture is that house sales reflect the generally high incomes available to Austin's work force: $40,000 to $60,000 homes accounted for 25% of 1982 sales; $60,000-$80,000 units accounted for 46%; $80,000-$100,000 for 8%; $100,000-$120,000 for 5%, and greater than $120,000 for 8%, according to The Greater Austin Builders Report (Dec. 10, 1982).

Walter von Merz, of the Walter Tipps Co., the hardware wholesaler summed up the outlook for the Austin market by predicting that the Austin-San Antonio corridor will have 2 million people in the next decade and the booming economy will create a rival to Dallas-Fort Worth in the next 20 or 30 years.

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METRO MARKET OUTLOOK

Charlotte market

(Continued from page 13)

rose only 14.2% from 1970-80 to 637,218 from 557,758, according to the U.S. Census Bureau.) "We don't ever want to become another Atlanta, with all the problems that come with enormous growth," Crumbley said. "We want to grow on our own terms."

Lowe's Pardue, who specifically compared Charlotte's development with Atlanta's several years ago, felt this area's greatest obstacle to future development would hinge on the improvement of Charlotte's highway system. "It's very difficult to get around the city, and the roads only seem to lead to the airport." In the second week of December, a section of the newly built Billy Graham Parkway was opened, but Pardue insisted a more elaborate system was needed.

As a business environment, it appears Charlotte could be on the verge of breaking loose. It ranks 65th nationally in total disposable income, according to *Sales and Marketing Management*, and 61st in total retail sales ($5.78 billion and $3.11 billion, respectively).

And its housing market has not suffered the drastic falloff other parts of the South are beginning to feel. According to National Assn. of Home Builders figures, 1,772 single-family homes were built in the Charlotte market in 1982, an 8.3% drop from 1981 which suffered a 20.9% falloff compared with 1980. However, the NAHB predicted that the Charlotte market would rebound in 1983 and see 2,000 single-family homes constructed, a 12.9% jump.

(Evans noted that one of the stranger quirks in Charlotte's housing market is that the homes, by and large, have no basements or garages, so products like garage door openers and basement weatherproof paint don't sell at all down here.)

One of Lowe's store managers said his contractor business connected with housing starts has "held up pretty well." However, he conceded that it was retail sales that were buoying his store's profitability. He stressed that the Charlotte market was "very strong," and said he was looking forward to Hechinger's arrival. "I hear it's a strong company, but I think our stores will have the better in-store service.

In fact, most other sources in the Charlotte market felt that Hechinger's entry would be beneficial to all retailers. Robert Justice, sales manager for Genuine Hardware Co., a Greensboro, N.C., hardware wholesaler supplying the market, said Hechinger's assiduous advertising in Charlotte would be "image creating."

"Its impact will be dynamic, and will demand that the other retailers follow suit," he said. Justice conceded, though, that Lowe's still had the greatest amount of consumer recognition in the market, primarily because of the proximity of the chain's headquarters in North Wilkesboro.

However, one other wholesaling source felt that Hechinger could shake up some of Lowe's dominance here. "Even though Lowe's and other chains have been around Charlotte for years, Hechinger will be welcome," said Lanny Moore, vp-dealer services for Builder Mart of America, the Greenville, S.C., buying group. "You'll see more people pushing DIY products and more dealers thinking building materials. I tend to welcome competiton if it's good competition."

Colorado Springs

(Continued from page 13)

us and it has created a real bad situation."

Woods feels he is in the best position with one 30,000-sq.-ft. unit having drive-through and cash-and-carry characteristics to serve the whole market.

Some stores have been able to maintain their loyal, service-oriented customer base, but many consumers seem to have fallen victim to the price battle.

"The people weren't that price-conscious in 1979," Brookhart's Watt noted. "The economy and the price war have made them price-conscious. We had loyal customers for years and years and price wasn't that big a thing. Now, the personality of the business has been taken away."

Crissey Fowler manager Mike Maloney added, "We barely have enough phone lines with all the people calling up to find out prices now."

Among the other consumer-oriented chains in Colorado Springs is Handy Dan with two outlets, which, dealers say, are most vulnerable to the price battle but may be rebounding through a stepped-up ad campaign.

Pay 'N Pak, especially on plumbing and electrical goods, 84 Lumber and Sutherland Lumber also affect the market with one unit each.

Other units such as Walker Bros. Lumber and a Diamond outlet in the market have done some retail business while catering to the contractor.

Everitt Lumber's sole unit in the market expanded its builder base when it purchased Brookhart's Colorado Springs-contractor business. The store, however, was the focal point in the chain's store remerchandising program to build more DIY volume (*NHCN*, Oct. 25, 1982).

Although Crissey Fowler's retail business claims only 15% of total volume, the percentage is significant when considering the store's $15 million-$20 million volume, more than 30,000 sq. ft. of well-merchandised retail area and an additional drive-through setup.

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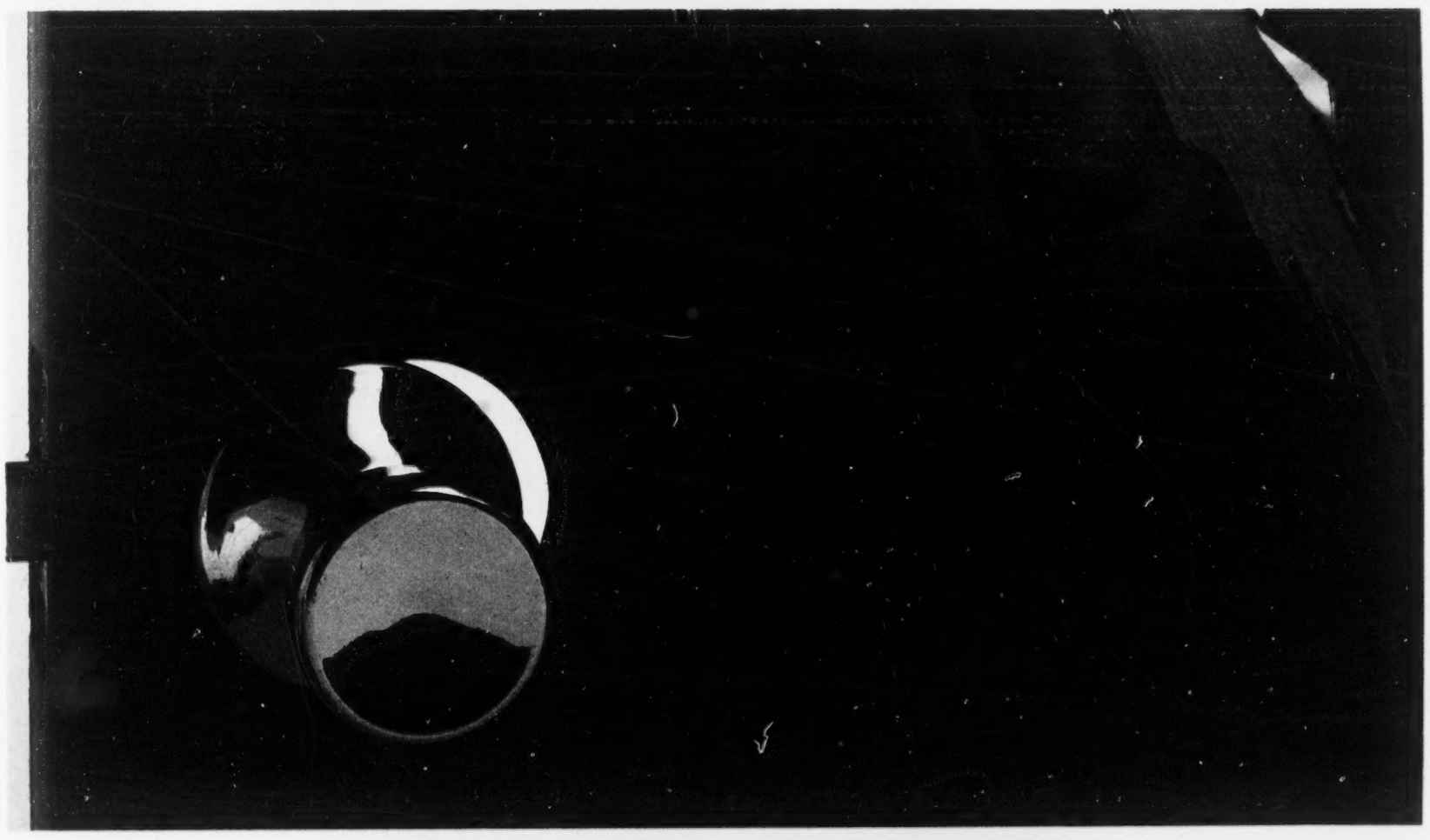

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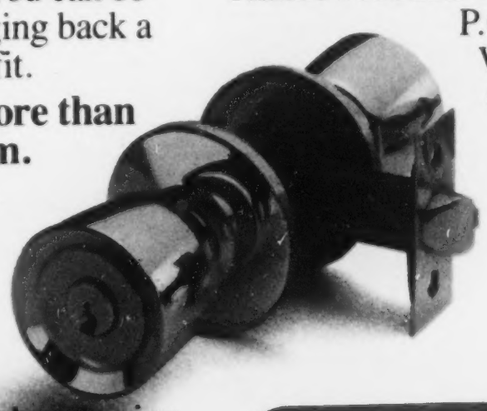

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New ideas from store to door.

METRO MARKET OUTLOOK

The Baltimore market

(Continued from page 22)

shopping there, they're watching the prices. We could lose customers to them," Heffner said.

Hechinger leads the way in advertising with its weekly 24-page color tabs. But independent Mr. Goodbuys runs two to three newspaper ads per week, sends out a direct mail catalog and is on television 40 out of 52 weeks per year, according to Steve Erlbaum, one of the partners.

He says that the effort has been successful, with business up about 30% over last year. Store size has doubled in the last two years. An additional 10,000 sq. ft. for a total of 50,000 sq. ft. is planned for 1983, a year when Erlbaum's Baltimore unit could pass $6 million in volume.

"He definitely has hurt me," Inner Harbor's Heffner said of Erlbaum. "He has put a severe crimp in our kitchen cabinet sales."

Mr. Goodbuys carries 12 lines of cabinets.

"We're being equally tough," said Heffner. "We've gone to our supplier whose given us another 15% to play with."

In general, competitors have been able to carve out niches in the Baltimore market. Mr. Goodbuys concentrates on kitchen and bath, millwork and ceiling and floor coverings. Those categories, along with lumber and building materials, are Inner Harbor's strengths. Hardware Fair, for example, is strong in plumbing, electricals, hardware and tools.

There is apparently also room in the market for several 84 Lumber units in outlying locations and a few independents that also cater to retail customers, such as Stebbins Anderson.

According to several retailers, the competition, Hechinger included, has had positive effects.

"We have a Hechinger down the street," said Erlbaum, of Mr. Goodbuys. "They're healthy competition because they don't give things away."

"We have a store in Glen Burnie where there's a Hechinger across the street," said Butz. "That's our best store."

He noted that competition can help build sales: "Before we were the only people in town telling homeowners to fertilize their lawn. Now there are five or six people telling them."

The Orlando market

(Continued from page 25)

dents. Only two seem to cater significantly to retail business: Mills and Nebraska Lumber & Supply and Home Supply Center of Orlando.

Henry Ervin, owner of Home Supply Center of Orlando, may be the only local lumber dealer actually looking foward to the arrival of The Home Depot. He left a Scotty's assistant manager position 19 years ago to open his store just east of the city.

Cruse's Scotty's unit is directly across East Colonial and the Home Depot's Eastland Shopping Center location is only a few hundred yards further east. Ervin feels that the traffic generated by Home Depot will add to his business and he plans to be deeper in hard lines than the chain and to stock items that Home Depot doesn't.

"We've been doing 20% more business since Scotty's opened four years ago," he said.

Los Angeles

(Continued from page 23)

Single-family housing starts will increase slightly, to 4,000, in 1983, compared with 3,500 in 1982. Total housing starts dropped 47.2% in 1982, to 11,500 units from 1981's 21,768 units.

One housing trend that home center operators are watching is the growing interest among young people to move into condominiums.

Ben Bartolotto, director of the Los Angeles-based Construction Industry Research Board, said a dip in mortgage rates from 16%-17% to around 13% is a welcome relief, but for Los Angeles, it's only one facet of a complex problem.

California housing prices are about 40% above the national average. There are signs of declining home prices, Bartolotto said, but not enough to make housing affordable for most county residents. The housing issue is complicated by Proposition 13, the tax-slashing ballot initiative passed by California voters in 1979. It has had a major impact on the resale of homes.

When a person buys a house, the property tax assessment is raised to the sales price, usually much above the former owner's assessment. This discourages potantial sellers who are reluctant to trade their low property tax for the much higher tax on a new home. As a result, many home owners are remodeling their existing homes. That may be good news for home center operators, but not when the pent-up demand for housing, especially among first-time buyers, is considered.

Although expected lower interest rates will generate an upswing in home building this year, other signs of an ailing economy, including a 10.8% county unemployment rate, are being watched closely by home center operators.

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Bonanza sold to Pay 'N Pak

Success proves elusive to Australian owners

By John Caulfield
NHCN associate editor

SAN JOSE, Calif.—Pay 'N Pak has made its deepest foray into northern California with the purchase of Bonanza Building Centers here from Burns Philp, the Australian conglomerate that only two and a half years earlier bought the operation from W. R. Grace.

"At their current level of business, the Bonanza stores were not operating at a profit," explained Peter Ferris, a Burns Philp executive who, in 1980, served as Bonanza's first president. "We were in a halfway house dilemma in that we either had to make a much larger capital investment in the chain, or sell it off. We decided to bite the bullet."

That dilemma, however, had been festering for months, and discussions with a number of former Bonanza executives clearly reveal that, operationally, the chain had been all but cast adrift before Pay 'N Pak came to the rescue.

Pay 'N Pak hopes to have more success with the six-unit Bonanza chain which foundered under the ownership of Australian conglomerate Burns Philp. NHCN photo

The deal for Bonanza was consummated Jan. 10 for an undisclosed amount of cash and common stock from Kent, Wash.-based Pay 'N Pak. In exchange, the 97-store chain received the assets of six-unit Bonanza, with estimated sales of $20 million, including land and improvements of the Santa Clara and San Jose stores, as well as the lease arrangements, inventory and store equipment of the other four units.

Following the acquisition, Pay 'N Pak closed the Bonanza

(Continued on page 70)

Lanoga purchases Williamette stores

THE DULLAS, Ore.—Lanoga Corp. continued on course in its plans to develop a "dominant" Pacific Northwest lumber and building materials chain by purchasing the eight retail units owned by Williamette Industries, the $1 billion Portland, Ore., lumber manufacturer.

The transaction, for an undisclosed sum, was scheduled for completion Feb. 1, and comes on the heels of Lanoga's acquisition of the five-store, $20 million Lumbermen's of Shelton, Wash., last spring (*NHCN*, March 29, 1982).

Officials for the $220 million, Seattle-based Lanoga have stated they will use the Lumbermen's operation as a "springboard" for future expansion which, according to the chain's president, Larry Knudson, would eventually translate into a 25-30 unit, $100 million-$120 million company.

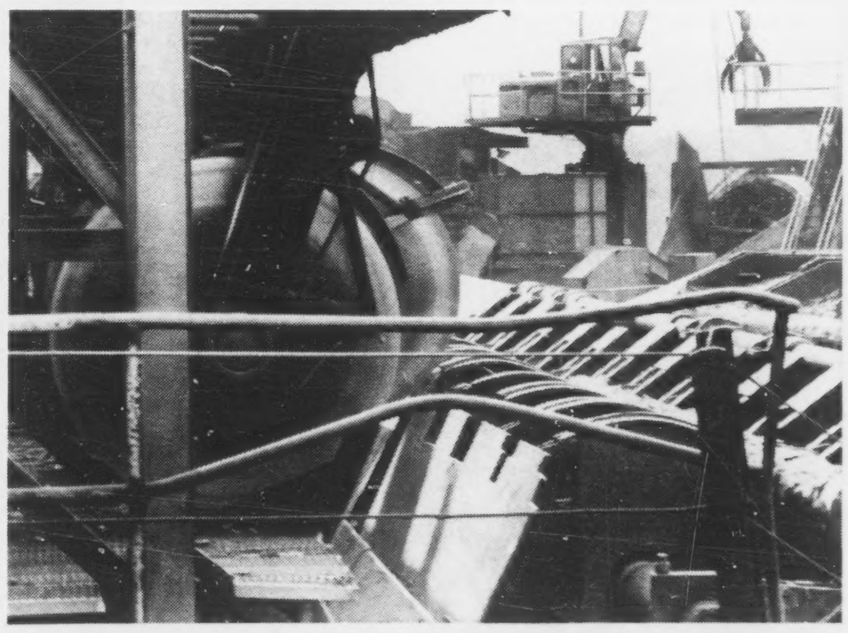
"The Williamette acquisition is viewed as an important step in our becoming the dominant retailer in the Pacific Northwest," said Bill Matthews, Lanoga's director of merchandising and marketing.

Williamette's decision to get out of retailing appears to reflect a trend among lumber manufacturers to rid themselves of retail outlets not generating sufficient return on investment. Louisiana-Pacific announced recently it was looking to sell off its eight-unit, El Segundo, Calif., chain.

"We eased into the retail business when we purchased a number of stores from the Gerrigos family in the mid-70's," explained Kathy Baldwin, a Williamette spokesman. "But we were at a stage where we either had to go into the retail business in a bigger way or sell off the stores. We decided that we are basically manufacturers." Williamette had 1983 earnings of $29 million and 58 manufacturing plants in 14 states.

The outlets sold to Lanoga only partially fit into the type of operation Lanoga is attempting

(Continued on page 70)



This circular saw of log merchandiser at Weyerhaeuser's Mountain Pine, Ark., mill is poised for action as many mills crank up production to meet increased demand. However, lumber supplies may still be short this spring due to low current inventories and other factors. NHCN photo

Lumber prices climbing; supply shortage foreseen

By Kenneth Schept
NHCN senior editor

NATIONAL REPORT—Housing is rebounding. Demand for lumber is up, along with prices. Prosperity, it seems, is just around the corner. But lurking there as well may be lumber and plywood shortages.

Commodity Update: A special report on commodity product supplies continues on Pages 33-42.

With the nation's mills still operating at about 70% of capacity and their lumber inventories near a record low, according to the Western Wood Products Assn., it is not clear whether the forest industry, trimmed for the recession, can or will gear up quickly enough for the recovery.

The consensus among lumber producers, wholesalers, retailers and other industry observers is that with 1.3 million housing starts, about what has been predicted for this year,

(Continued on page 33)

Major plumbing makers hoping to tap into high-end DIY faucets

By John Caulfield
NHCN associate editor

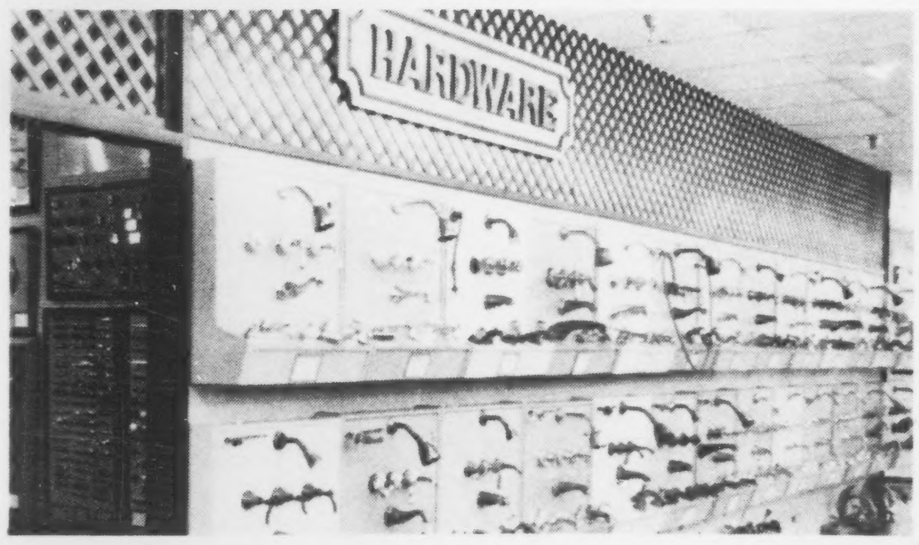
NATIONAL REPORT—The high-end faucet market, which until recently was serviced mostly by small- to medium-sized manufacturers, is starting to attract some of the biggest plumbing makers in the industry. They are entering the market in response to what retailers see is a growing consumer demand for quality DIY merchandise in the product category.

Last year, Peerless Faucet brought out 33 sku's in its "Designer" series of higher-priced faucets, and dealer response was "surprisingly good," according to national sales director Donald Burgess, who said that retailers took on an average of 10 sku's from the line.

This month, American Standard, the New Brunswick, N.J., plumbing manufacturer, is introducing at the Winter Hardware Show in Las Vegas a 17-sku faucet program which, for the first time, will allow dealers to order and take shipment directly from American instead of going through a wholesaler.

"We're looking to expand the retail faucet market," said American's marketing manager Robert Irvine. "Our advertising and packaging will be directed at the consumer, and will stress our reputation and the fact that now our products can be purchased through the retail outlet."

(Continued on page 16)



Higher-end faucets have been moved in to replace Austin-based Stripling-Blake's low-end line as consumer interest in the cheaper faucet models wanes. See Merchandising Outlook '83, Pages 13-54. NHCN photo

NEWSBREAKS

WOLOHAN SELLS NEW UNIT. After 20 months in operation, the Hilliard, Ohio, outlet that served as Wolohan Lumber's prototype store has been sold to Sutherland Lumber.

ORLANDO UNVEILING. The Home Depot opened its ninth and 10th units, Jan. 27, with the unveiling of two new stores in Orlando, Fla. The Atlanta-based chain is expected to open another three to six stores in 1983.

INSIDE:

VINYL TILE IMPORT DUTIES being pushed by domestic manufacturers may result in higher flooring prices to home centers ..... Page 2
AMERICAN BELL has targeted home centers as potential outlets for its line of phone products ..... Page 3
BRISK BUYING was reported on the floor of the Northeastern Retail Lumbermen's Assn. show ..... Page 4
HOME CENTERS are grabbing an increasingly greater share of the decorative flooring market ..... Pages 56-60

NHCNews Briefs

Industry Update

Stine unveils Baton Rouge outlet

BATON ROUGE, La.—Stine Lumber, which operates three yards in Louisiana, is planning to open its first 100% retail outlet in mid-February, in Baton Rouge.

The new unit will be 15,000 sq. ft. on 3.5 acres and will carry about 10,000 sku's, the same variety of product as other Stine outlets but in more depth, according to Dennis Stine, general manager.

The firm's existing units are in Lake Charles, Sulphur and De Ridder, La., and have become about 75% cash and carry, according to Stine. The move into Baton Rouge will mean a larger market with more competition from major chains, including Handy City, Lowe's, 84 Lumber and Wickes.

Stine is optimistic about the DIY direction, however.

"If this is successful," he said of the Baton Rouge venture, "we'll open another one in a year."

BE shuts 2 LA County stores

IRVINE, Calif.—Builders Emporium, which closed only one store last year while its parent Wickes Cos. made massive cutbacks in other troubled divisions, began the new year by shuttering two stores in Los Angeles County.

The now-60-unit chain headquartered here shut down its 45,000-sq.-ft. Diamond Bar store and the 16,000-sq.-ft. Ladera Heights store Jan. 17. At presstime, BE president Anthony J. Swies declined to comment on the closures or reports that the chain is planning to open stores this spring in the San Bernardino County cities of Ontario and Riverside. In 1982, BE closed one store, in Oceanside in April, and opened one store, in Sunnymead in June.

Sources said the 18-year-old Ladera Heights store located near Marina Del Rey was profitable with $2.5 million in annual sales, but renovation of a shopping center it was in would have decreased the tiny store's square footage even more. Customers can choose from six other BE's located within five miles of the shuttered unit.

The Diamond Bar store in eastern Los Angeles County opened in 1980 as the anchor in a 10-store strip center that reportedly was less than 50% leased, in part due to its inaccessible location. The center is situated near new housing tracts that reportedly haven't matured to the point of generating enough homeowner DIY projects. Both stores were closed without going-out-of-business sales, and merchandise was transferred to other stores.

In other BE developments, Swies said that Steve Capasso has been named merchandising manager for housewares, paint, home decor and seasonal merchandise. Capasso most recently was operations vp for Wickes' Rasco division, and previously held a variety of posts at BE. He is one of three merchandising managers who report to BE executive vp William T. Teachout. Capasso replaces Jerry Schwartz who has been named senior buyer for paint, floor covering and home decor.

ACE carves out new sales region

OAK BROOK, Ill.—Ace Hardware has created a fourth sales region to meet the growing demands on the $700 million wholesaler's sales force, according to national sales manager Bill Loftus.

Taking over the Central regional district manager's post is Steven C. Schmidt, formerly district manager of northern Illinois, who is managing district managers in 10 Midwest states along with analyzing store applications for membership and planning territory objectives and programs there.

He joins Joe Mox in the West, Lou Panozzo in the North and Jim Washburn in the South as Ace regional managers.

"Over the past few years, the responsibilities of the sales force have increased significantly," Loftus explained. "To meet these new demands, we have redivided the regions."

Ernest L. Vierra assumes the district manager's position which Schmidt vacated. He had been an Ace district manager for the last six years in the Arizona, New Mexico and El Paso, Tex., territory.

National Home Center News®

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $20 a year ($21 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 9, No. 3 January 31, 1983

American manufacturers press for import duties on vinyl tile

WASHINGTON—A battle between domestic and foreign manufacturers of vinyl tile over import duties may mean higher prices this spring for home center flooring buyers.

Domestic manufacturers, led by Armstrong, Lancaster, Pa., have filed a petition with the office of the United States Trade Representative (USTR) in an attempt to stem the flow of Taiwanese-made vinyl tile products which compete with American products on a duty-free basis.

At present, importers of Taiwanese vinyl tile are protected by favored nation status under the Generalized System of Preferences.

President Reagan is expected to rule in March on whether or not those importers will begin to pay a 6.9% duty on the Taiwanese vinyl tiles.

"Domestic prices have been depressed by the low price of the copied Taiwanese products," said William Clark, president of Azrock Industries, San Antonio. Clark noted however that retailers who could buy vinyl tile by the container load from every major port in the United States had an advantage over retailers who couldn't buy in those quantities—and who had to purchase higher-priced domestic products.

The complaints of American manufacturers center on three issues: The first is that while no United States duty is placed on Taiwanese exports, American companies pay as much as 40% to 60% duty to do business in Taiwan. The manufacturers also resent what they see as "knockoffs" of their products produced at lower labor costs and without footing the bill for development and promotion. Finally, they claim that lower-priced Taiwanese goods further depressed the flooring market this past year, and hurt retailers who could not buy in large quantities competing in the DIY market.

Among the vinyl tile manufacturers that joined Armstrong's complaint as co-petitioners are: Azrock Industries; Nafco, Florence, Ala.; Amtico, Lawrenceville, N.J., and Kentile, Brooklyn, N.Y.

Importers including Top Tile (New York), Solar Brite (New York), Color Tile Supermarts (Texas) and New York Tile argue that although their individual companies' sales may be sizable, their market share is insignificant compared to that of industry giants like Armstrong.

According to United States Government statistics, sales of imported vinyl tiles were $10.5 million in 1982. The Taiwanese Vinyl Tile Committee contends that less than 2% of a $550 million to $600 million United States market in vinyl tile stems from sales of imported products.

American manufacturers took strong exception to the importers' view of the domestic vinyl tile market. "The Taiwanese said they are a small part of the entire resilient market, but vinyl tile competes in a very specific portion of the market—the DIY market," said Clark.

Domestic manufacturers of vinyl tile including Armstrong have made their market share numbers available to the U.S. Trade Representative on a confidential basis, but the companies are not revealing those

(Continued on page 69)

Massachusetts retailers prepared to open for business on Sundays

Somerville's Cohen sings the blues over state's liberalized Blue Laws

BOSTON—Massachusetts home centers will be allowed to open for business on Sundays, as of March 27, following a change in the state's Blue Laws late last year.

An exemption to the Massachusetts Common Day of Rest Law was approved by former Gov. Edward King as one of his last official acts before leaving office.

The exemption essentially allows all retailers except liquor operators to open on Sundays after noon, although employees must be paid at a time-and-a-half rate and cannot be forced to work if they choose not to.

Large home center chains that operate in Massachusetts, like Channel and Grossman's, and major independents like Somerville Lumber, are expected to open for Sunday hours as soon as the law becomes effective.

However, there was disagreement within the industry about whether Sunday openings should be advocated. Some opponents argued that an extra day would only spread existing volume over a longer week, while increasing overhead. Others objected to the intrusion on the family life of employees.

Members of the Northeastern Retail Lumbermen's Assn. were divided on the issue. Grossman's took out newspaper ads voicing its opposition. Harold Cohen, vice president and general manager of Somerville Lumber, said he met with the Governor and legislative leaders to lobby against the Blue Laws change.

"I took a strong position on it and I lost," said Cohen. "We have approximately 360 employees. My problem is not in doing business. I always felt that we can do as much business as hours permit. Our biggest problem is in operating and management, controlling the 360 people who work for us."

Cohen felt that many employee work problems are really a result of difficulties at home that find their expression at work. From this point of view, Sunday hours mean an employee spends less time with his

(Continued on page 69)

Harold Cohen, Somerville Lumber, will probably have to increase his sales force by about 15% to accommodate the Sunday hours.

Handy Andy stores go back-to-basics to strengthen Southwest market share

TUCSON, Ariz.—A back-to-basics push is the key in a remodeling and remerchandising program aimed at strengthening the market share of Handy Andy stores here, according to chain officials.

The five stores, run by Parent Sunset Industries, are cutting their housewares commitment by 75% in part to make room on the sales floor for more lumber and building materials, which in the past have been relegated to outdoor space, "to present a dominant appearance," according to the chain's new vice president and general manager Jerry Edwards.

The plan also calls for a hike in hard line and decorative sku counts by at least 15%, he noted.

Edwards, formerly a merchandise manager at Handy City, Atlanta, said the changes are planned to bring a 20% to 30% sales increase with total sku's increasing by about 20% to 15,000 items. It should take six months to redo all five stores, which average 15,000 sq. ft. The first unit is expected to be completely remerchandised by March 1, Edwards said.

"We want to make a major effort in the market," he explained. "The whole thrust is toward expansion."

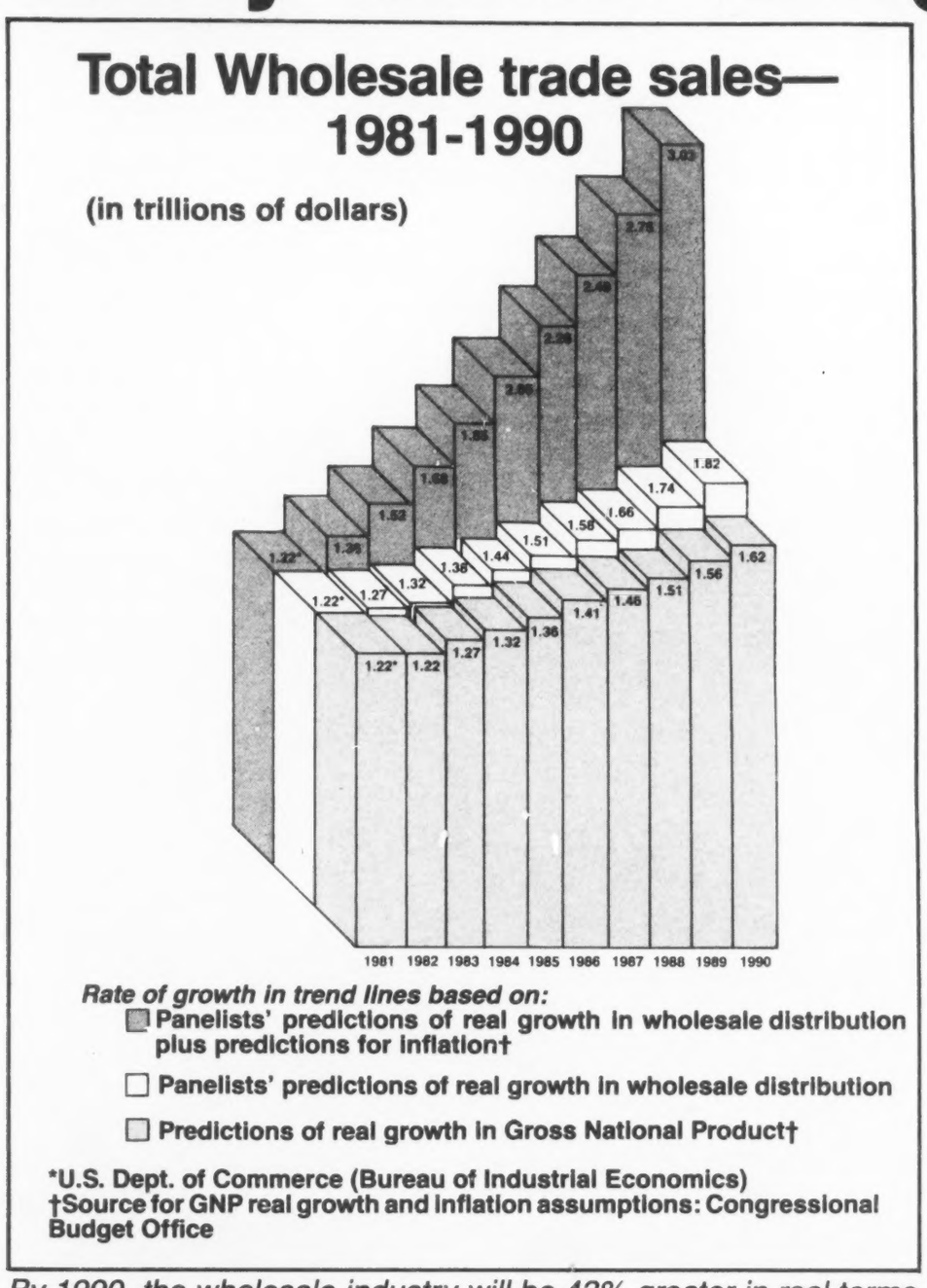
Harold Kitay, chairman and president of Sunset Industries, which he turned private by acquiring its common stock late last year (*NHCN*, Nov. 22, 1982), said the company has three sites selected for new stores when the economy improves.

Exiting from the $12-million, 80% DIY chain now will be many of the traditional housewares goods such as glassware with only such lines as rubber goods and decorative shelving remaining, according to Edwards.

The increased commitment to hard lines and decoratives will bring in more hardware, tools, plumbing, electricals, wallpaper, flooring and paint to

(Continued on page 69)

Study shows foreign gains in U.S. wholesaling



By 1990, the wholesale industry will be 43% greater in real terms than it was in 1981, according to a new study. In inflated dollars, using the Congressional Budget Office's forecasts of inflation for 1981 to 1990, total wholesale sales in 1990 are expected to exceed $3 trillion.

CHICAGO—Foreign-owned firms will comprise 10% of total wholesale companies in the United States, and 15% of total industry sales, or $450 million, by 1990, compared with 1% and 2%, respectively, in 1970, according to a new study.

Over the same period, smaller wholesalers will be under tremendous pressure to merge with larger companies to remain competitive. Companies with sales exceeding $20 million are expected to capture 80% of the industry's volume in 10 years.

The recently released study also pointed to increased investment in computerization as the main weapon in the arsenal of domestic wholesalers against competition and/or takeover, as well as expansion of services to retailers who have become more reliant on distributors for inventory control, educational seminars and financial management.

Despite these structural pressures within the industry, the study—"Future Trends in Wholesale Distribution: A Time of Opportunity"—predicted the nation's $1.4 trillion wholesale industry would prosper over this period, and grow at a faster pace than the projected Gross National Product through 1990.

Comparative shares of total wholesale sales

	1972*	1977*	1985	1990
Merchant wholesaler-distributors	51%	54%	56%	58%
Manufacturers' sales branches	37	36	35	34
Brokers, agents and others	12	10	9	8

*1977 Census of Wholesale Trade; Bureau of Census
Source: Arthur Andersen & Co./Distribution Research & Education Foundation.

Wholesale distributors that sell to retailers, known as "merchant wholesalers," are expected to increase their market share of total wholesale volume through 1990 to 58% from 51% in 1972, according to a new study published by the research arm of the National Assn. of Wholesale-Distributors.

The report was prepared by the accounting firm Arthur Anderson & Co. for the Distribution Research and Education Foundation (DREF), an arm of the National Assn. of Wholesale Distributors (NAW), Washington, D.C.

Of NAW's 123 affiliate associations and 45,000 companies, approximately 15 associations represent about 5,000 lumber, building materials and hardware firms.

The study was optimistic that the industry would continue to thrive throughout the decade, with projected total wholesale volume rising, in real terms, by 4.2% annually through 1985, and 4.9% from 1986-90, hitting $1.82 trillion in the last year compared with the $1.62 trillion the Congressional Budget Office estimates the G.N.P. to reach.

When projected inflation rates are factored in, trade sales for the industry should expand to $3.03 trillion by 1990. (The industry can grow faster than the G.N.P. because it also handles products manufactured overseas.)

The study pointed to three factors that will have the greatest influence in governing the projected industry growth rate, including productivity improvements by merchant wholesalers to increase cost effectiveness and competitiveness compared with other distribution channels; economic influences that

(Continued on page 38)

Design changes at Lumber City foretell future under McNulty

By Brad Altman
NHCN West Coast editor

RESEDA, Calif.—A change in store layout and merchandise presentation at a Neiman-Reed's Lumber City unit here is giving competitors their first glimpse at the future of the 13-unit chain under the new leadership of former W. R. Grace executive Bob McNulty.

McNulty joined Neiman-Reed last July in the No. 2 post of executive vp and chief operating officer and is the likely successor to Robert Neiman, the chain's co-founder and president, who plans to retire within a few years.

Neiman-Reed, with 1982 estimated sales of $50 million, is a 95% DIY-oriented home center chain with operations north of Los Angeles in the San Fernando Valley, Ventura County and Valencia. Since 1981, the 30-year-old business has been 51% owned by UBM Group, a diversified company headquartered in Bristol, England. UBM has an option to purchase the remainder of Neiman-Reed in 1986 (*NHCN*, Aug. 2, 1982).

After coming aboard last summer, McNulty made significant changes. They included trimming payroll by 15% to 750 employees, slashing inventories by $2 million and mapping plans to consolidate administrative services by moving corporate headquarters in March from Sherman Oaks to a new two-story, 21,000-sq.-ft. building in Van Nuys.

Significantly, in this tough, highly competitive southern California market, Neiman-Reed has increased the distribution of its weekly direct-mail circulars to 600,000 copies from 200,000, and doubled the number of pages. It seems clear that Neiman-Reed's corporate strategy is to out-perform and out-promote its marketplace rivals which include such entrenched institutions as Ole's Home Centers, Builders Emporium and strong independent Chandler Home Center in Van Nuys.

Transforming the six-year-old, 47,500-sq.-ft. Reseda store into a prototype facility took less than three whirlwind weeks and cost approximately $70,000, of which about $40,000 was spent on new metal fixtures and racks for lumber and building materials. Another approximately $10,000 was spent on in-store signage including a blue-and-green wall paint stripe designed to match the same colors used in circular advertising and employee uni-

(Continued on page 71)

Lumber City's remerchandised Reseda, Calif., outlet puts greater emphasis on bulk displays, and storewide visibility with 54-in. high gondolas, and shorter aisles to provide more endcaps, for impulse item displays.

NHCN photos

American Bell targeting major retailers as outlets

MORRISTOWN, N.J.—A Federal regulation that went into effect Jan. 1 changes the distribution system for telephones and should increase tremendously the opportunity for retail sales of phone instruments and accessories.

The Federal Communications Commission regulation, another chapter in the break-up of the Bell System, resulted in the formation of American Bell, the A.T.&T. subsidiary designated to manufacture and market Western Electric telephones.

American Bell has already targeted 69 retailers as potential outlets for its products. Sears and Target stores have taken on its line.

"Our goal is universal availability through national distribution in all classes of trade. We are looking at major home centers," said Mike Granieri, district manager.

Home centers that already carry telephones include Menard's, Lindsley, Knox Lumber, Lowe's, Pergament, The Home Depot, Broadway Home Center, Ernst and Gee Lumber. Until recently, however, many carried the product on a limited or promotional basis only.

While some home centers may choose to take on American Bell phones, others may be up against American Bell stores as competitors. The new company took over 461 of the 1,400 Phone Center Stores and renamed them Bell PhoneCenters.

The sites are either freestanding or in malls. They are retail rather than bill collecting outlets. Current prices for phones are $25 to $350.

"We'll price to be competitive," said David Manahan, an American Bell division manager.

The company was granted the leading edge over the local telephone service companies born from A.T.&T.'s reorganization. Regional firms will sell only existing inventory and reconditioned phones at prices set by these service companies for a specified rate of return.

The regional companies have a year to decide whether to continue to sell telephones. In the meantime, American Bell's large research and development department, from the old Bell labs may help increase the neophyte company's lead over the service companies.

Evidence of American Bell's aggressive entry into the market are its first two major contracts—Sears and Target stores—locked up in its first two weeks of operation.

American Bell is offering two fully merchandised programs to retailers, including co-op advertising and sales training. Sears opted for "The PhoneCenter," a 24-linear-foot selection of 22 telephones (including the two newest models: the Touch-a-matic 1600 priced at approximately $150 and the Genesis at approximately $350) and 24 sku's of accessories.

Sears started the program in five Indianapolis area stores last fall, and will roll out the program to 800 stores over the next year. In addition, according to American Bell officials, Sears has expressed an interest in developing a repair program.

Wholesalers look to computers for growth

(Continued from page 3)

will incline vendors and retailers to increase their dependence on wholesalers, particularly in the area of inventory storage and maintenance, and diversification by distributors of the number and types of services that are provided to their customers.

The consensus among the 250 industry panelists participating in the study was that merchant wholesalers (i.e., those servicing dealers) would increase their industry market share from 51% in 1972 to an estimated 58% in 1990.

"Up through the early 1970's, wholesale distribution of lumber *was* growing faster than the G.N.P.," said H. M. (Pete) Niebling, executive director for the North American Wholesale Lumber Assn. (NAWLA), Chicago. "But I'm not sure that lumber, hardware and building materials wholesalers can sustain that kind of growth rate. The study's estimates appear to be based on historical, rather than current, growth patterns."

Among the other findings surfacing in the study was the assessment that, while wholesaling companies were still in a "state of infancy" in their use of computer technology, three-fourths of the country's wholesalers will install electronic on-line order entry systems in their distribution facilities by 1990, and 83% will employ computers for internal sales and marketing analysis. Another 70% of all wholesalers will be using on-line equipment for purchasing and inventory control—a tripling from 1980 levels.

The rapid march by distributors into the computer age portended by the study appears to be taking shape already, with as many as 75% of lumber and building materials wholesalers estimated to be using some form of on-line system, according to NAWLA's Niebling and Perry Sparks, the new president for the National Building Materials Distributors Assn., Chicago. Jointly, the two associations represent 930 companies.

Sparks added his own company, Lumberyard Supply in St. Louis, began using a computer for inventory control and order entry in 1982 and reduced its inventory by $100,000 with no noticeable drop in dealer service.

"The reality of the post-recession wholesale-distribution industry is that we [wholesale lumber/building material distributors] have some catching up to do," said Frank O'Dowd, NBMDA's executive director. "But once our members can stop worrying about survival, it's certain that computerization and more professional management will become a major element in all their growth strategies."

That has already become a reality for many hardware wholesalers who are "ahead of most of the industry" in providing retailers with computerized inventory management, accounts receivable and tracking GMROI, according to Thomas Fernley, executive director for the 88-member National Wholesale Hardware Assn., Philadelphia.

"Several of our members have very sophisticated systems in place, and this will become more prevalent among hardware wholesalers, even though they are generally smaller than the average NAW member."

Improved inventory management through computerization will reduce the need for wholesalers to build additional warehouse or office space to accommodate growth, the study noted. However, because of the expense related to computerizing one's operation, wholesalers' fixed assets, as a per cent of their total assets, will increase from around 12% in 1981 to 20% in 1990, resulting in a greater need to generate investment capital.

NAWLA's Niebling agreed greater capital formation would be essential, primarily because of the trend among his association's members toward becoming "remanufacturers or prefabricators or retreaters.

"Between 1960-1975," he explained, "there was tremendous growth in lumber distribution, but that growth is virtually finished. Therefore, the need to invest in improved fixed assets, be it computers or machinery, will become essential to our members' attracting new retail customers."

The study also asserted that increased operational expenses will force wholesalers to use their resources more productively, resulting in a reduction of personnel and a greater use of computer information systems. However, there remains a great need in the industry for experts to run new machinery and analyze complicated data, so skilled management will be retained and retrained, and in some instances expanded, to facilitate company growth.

One way wholesalers will be maximizing their personnel will be in depending more on inside salespeople to solicit sales, leaving the field staff to handle more marketing and promotional work, the study indicated.

In fact, the most rapidly increasing type of computer system is the order entry terminal located on the wholesalers' premises that allows the retailer to input orders himself. Orders phoned into inside salesmen will subsequently be reduced by one-third, according to the study, over the next decade because of this computerization, with orders via electronic mail (transmission of documents from one terminal to another) doubling.

Lumberyard's Sparks felt there are some commodity lines that do not lend themselves to inside sales or electronic reordering. "I'm not a real believer in telephone sales," he said. "Although the study's findings will be applicable to a great number of wholesalers, building materials just can't be sold without the customers meeting with the salesman and seeing the product."

Niebling, however, said that with the escalating expense of maintaining outside personnel, "we'll see less personalized selling and more phone and telemarketing contact." NWHA's Fernley added this trend was inevitable among hardware wholesalers as well, but added it would be slow. "Inside salespeople have to be trained not only to solicit business, but to sell our services."

Another cost-cutting measure will find wholesalers resorting to common carrier and private trucking to ship their products, over the use of their own fleet, the study said. Distributors owning their own trucks will drop to 38% in 1990 from 59% in 1980, and common and private carriers are expected to deliver 40% of the industry's total sales, up from 20% in 1980, and 56% of all orders in 1990.

"In 45 years, our company has always used common carriers," said Sparks, "and some of NBMDA's members are starting to complain now about the enormous cost of owning their own shipping vehicles."

The report indicated that wholesalers will become larger and cover a greater geographic territory. The number of companies serving a radius of 100-300 miles will increase 20%, the study said, while those servicing customers in a 300-plus mile radius will grow by 35%. Distributors will more likely concentrate their efforts in high-volume, urban or suburban markets, and publicly owned companies (by the study's definition, those with the ability to obtain equity financing) will account for 60% of the industry's total sales.

(Continued on page 39)

A BUYER'S GUIDE

HOW TO MAKE A TOUGH DECISION

THE YEAR OF THE FLOOD

Portable kerosene heater sales are so hot, that everyone seems to be pushing them. We've counted 35 brands that, on the surface, look nearly identical.

And every one promises you "The Best Deal".

That's the tough part.

JUST WHAT IS THE BEST DEAL

Everyone knows it's not a deal if you can't get delivery when you need it . . . if you can't get parts and service for your customers . . . or if the product itself is cheap.

If you want a **real** deal, compare Toyokuni portable kerosene heaters and the support GLO-international gives you. With Toyokuni, you'll get delivery when you need it. We guarantee it.

For the 83-84 selling season, we'll have new models and **new pricing** for the line.

WE DON'T STOP AT THE ORDER FORM

Some companies may seem to disappear after you sign the order.

Not with Toyokuni. GLO-international provides **full** support:

- Self-selling, full-color cartons,
- Award winning P.O.S. support materials and product literature,
- Complete parts and accessories availability,
- Comprehensive limited warranty support,
- A national authorized service center program,
- Sales training films and pocket salesguides,
- And, attention getting P.O.S. films, that sell the product for you.

THE BEST PART OF ALL... SATISFIED CUSTOMERS

Toyokuni owners speak for the product, reporting an outstanding **96%** satisfaction rate.

Why? Quality.

Quality you can see and feel.

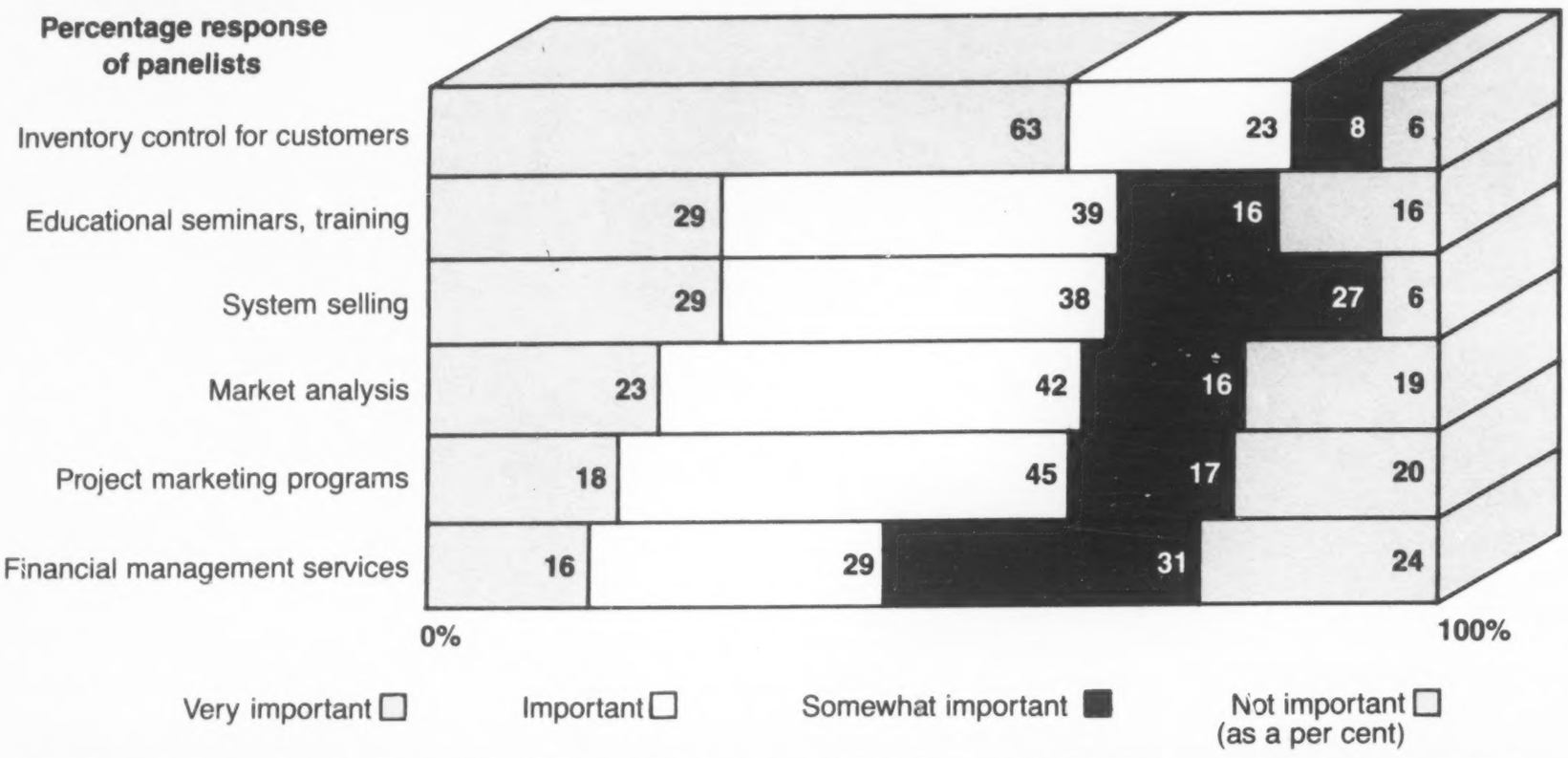
Stainless steel. Bright chrome. Tight seams. Flawless finishes. Precise assembly.

Quality in convenience and safety features; including the confidence of U.L. Listing on all models.

Your customers know that **Value** is **Quality + Price**.

That's Toyokuni.

Importance of wholesaler-distributor service opportunities to suppliers and customers in the 1980's



Over the next decade, inventory control is seen as the most important "value-added" service wholesalers will perform for manufacturing and retail customers, according to 250 industry panelists surveyed in a new study evaluating wholesale-distribution trends through the 1980's.

Source: Arthur Andersen & Co., The Distribution Research and Education Foundation

Competition means larger menu of services

Wholesalers will have to offer retailers a more diversified menu of services to help them compete against larger dealers capable of handling internal management themselves.

A new study done for the National Assn. of Wholesale-Distributors found that retailers will rely most heavily on wholesalers for inventory control, which 63% of the study's 250 panelists described as a "very important" service. Another 29% of the panel thought educational seminars and systems selling were also important wholesaling functions distributors would need to develop further for dealers.

EASY...
UL
LISTED
DOLLAR FOR DOLLAR,
YOU WON'T FIND A BETTER DEAL
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Wholesaling

(Continued from page 36)

By 1990, wholesalers with sales of more than $20 million are expected to make up nearly 80% of the industry's total volume, with firms having revenues of less than $20 million becoming more vulnerable to being acquired by or forced to merge with larger companies to survive.

Acquisition or merger may, in fact, be the only option for some companies looking to grow: while the study still saw internal cash from operations as being a wholesaler's major source of growth capital, short- and long-term loans from banks were viewed as an important secondary source. And wholesalers, to obtain financing from banks, will have to overcome a longstanding problem of communicating the needs of the industry and potential return available to the banking community. More than 75% of the survey's panelists thought the current level of understanding between wholesalers and their bankers could be a significant impediment to obtaining capital.

Niebling conceded that some lumber wholesalers were, in fact, "operating at the whims of their bankers," but thought that the smaller independent had more flexibility to finance his expansion over vertically integrated giants owned by large manufacturers, many of which have amassed huge debts because of the collapse of the housing market.

While he, Sparks, Fernley and O'Dowd mentioned other areas in which their memberships' trends were not in line with the study's findings, they all concurred that it was very useful in bringing to the forefront common points all wholesalers could use to improve their operations.

"When you do a comprehensive study like this, there's always the chance you'll be dead wrong," said NBMDA's O'Dowd. "But we feel the NAW study, by and large, is an accurate reflection of the trends we're seeing among our members."

Copies of the complete text are available for $50 by writing The Distribution Research and Education Foundation, Dept. FT, 1725 K St., Washington, D.C.

Show Special

MERCHANDISING OUTLOOK '83

1st Winter Nat'l Hardware & Home Center Show premieres in Vegas

New trade shows herald Western market boom

By Brad Altman
NHCN West Coast editor

LAS VEGAS, Nev.—The debut of two major trade shows this year, beginning with the Winter Hardware Show this month and the Western Home Center Show in October, has sparked new interest in the growth of the western market.

While many home center dealers still debate whether the West is, in fact, booming, there are indeed numerous signs that this region will garner the focus of attention in the 1980's—the way the South did in the 1970's.

Consider these facts:

- In the West, single and multifamily housing starts will grow at a faster rate in 1983 than in any other region. The National Assn. of Home Builders projects that 168,147 new homes will be started this year in the top 29 metropolitan markets collectively in the West —a 20.2% rise over last year's starts, but still 2.5% below 1981's figure of 172,-395. Starts in those markets totaled 139,878 last year, a 19% decline from 1981, the NAHB reported.
- Many western home center operators have committed themselves to a slow-but-sure expansion schedule this year after a period of maintaining the status quo and concentrating on shoring up existing units. This flies in the face of the contention that the West is oversaturated and overstored, and indicates that retailers are cautiously optimistic that declines in interest and home mortgage rates will continue.

(Home center operators with new-store plans on the drawing boards this year run the gamut from rural contractor-oriented yards to urban, high-volume, cash-and-carry merchandisers. They include Seattle-based Ernst Home Centers, operator of Von Tobel home centers in Las Vegas, which is adding two stores to its existing 75; 13-unit National Lumber of Santa Ana, Calif., adding one store; 77-unit Copeland Lumber Yards, Portland, Ore., increasing by five units, and five-unit Homeowners DIY Centers based in Gardena, Calif., adding two units.)

- Significantly, the West continues to lead in dollar sales volume. Ten of the top 25 metropolitan areas in sales of retail building material and hardware items are in the West. Los Angeles County (No. 1 nationally) rang up 1981 sales of $1.34 billion, according to a study by Sales & Marketing Management. The South, by contrast, had only four metro areas in the top 25.

Population trends give ammunition to those who claim the West is the last frontier for home center industry growth. The West's main competitor for that distinction is the South, which includes fast-track Texas and Florida. In fact, the South's growth rate will be greater than the West's in the 1980's, according to the Commerce Dept.'s Bureau of the Census. By 1990, the population in the South will be 83.5 million, a 14.5% gain over its 1980 population. The West, however, will increase its population by 14.3%, to 46.3 million. In contrast, Census Bureau data shows that the North-Central states' population will increase 5.1% by 1990 to 61.4 million while the Northeast will record only a 4% gain, to 51.8 million residents.

Though the South is expected to squeeze past the West in population rate gains this decade, the West was the fastest-growing region in the United States from 1970 to 1981, census data showed. The West increased its population by 26.7% in the last decade—double the national average. The South grew 22.4%; North-Central, 4%, and Northeast, only 0.5%.

In the Western region, the Census Bureau projects that Nevada will lead the rate of population growth this decade, increasing its 1981 population by 20.8% by 1990. Nevada is followed by Arizona, projected to register a 19.4% population gain by 1990; Colorado, 17.3%; Wyoming, 16.2%; Montana, 13.5%; New Mexico, 12.3%; Idaho, 12%; California, 7.6%; Utah, 6.7%; Oregon, 5.4%, and Washington, 4%.

Nevada was the fastest-growing state in the nation in the 1970-81 period, boosting its population by 63.5%. Other western states and the percentage increase of population in the last decade were Arizona, 53.1%; Wyoming, 41.6%; Utah, 37.9%; Idaho, 32.4%; Colorado, 30.7%; New Mexico, 27.8%; Oregon, 25.9%; Washington, 21%; California, 18.5%, and Montana, 13.3%. Government statistics show that the West had 19.3% of the total United States population in 1981, an increase from 17.1% in 1970.

Of the 25 metropolitan markets in the United States that recorded the largest population percentage increase from 1970 to 1980, 10 were in the West, 15 were in the South—five in Texas and 10 in Florida. Western metro areas that grew most were Las Vegas, increasing population by 69.1%; Fort Collins, Colo., 66%; Reno, Nev., 60.2%; Provo-Orem, Utah, 57.7%; Phoenix, 55.6%; Boise, Idaho, 54%; Richland-Kennewick-Pasco, Wash., 53%; Tucson, 51.2%; Santa Cruz, Calif., 51.0%, and Santa Rosa, Calif., 42.7%.

The growth in the Western region emphasizes its desirability as a place to live, a popularity that makes it more expensive to buy a home in the West than any other part of the country. According to a 1981 survey by the United States League of Savings Assn. released last year, the median price of a home in the West was $94,985, compared with $72,500 in the South, $66,898 in the Northeast and $60,000 in the North-Central states. The median monthly expense of owning a home, including mortgage payments, real estate taxes, utilities and insurance, was also highest in the West: $1,011 a month, compared with $837 in the South, $783 in the Northeast and $689 in the North-Central region.

At least in part because of pent-up demand for housing, home center operators in the western United States face some formidable challenges as they move toward the midpoint of the 1980's.

Some retailers point to market saturation as being a potential danger to future growth. They assert it has forced profit margins to slip as western home centers increasingly strengthen their in-store promotions to combat the increased competition.

One executive of a home center chain with operations throughout California acknowledged that profit margins are being squeezed, but he placed the blame on the region's recession and high unemployment. He declared: "People are more price-conscious and that has a greater effect on your margins than the competitive situation."

Western home center retailing often is characterized as setting the trends for the rest of the country, observed one retailer based in California. "There seems to be a greater tendency among manufacturers to try new things here," he commented. "Rightfully or wrongfully, we have the reputation of being a starting place of a number of fads."

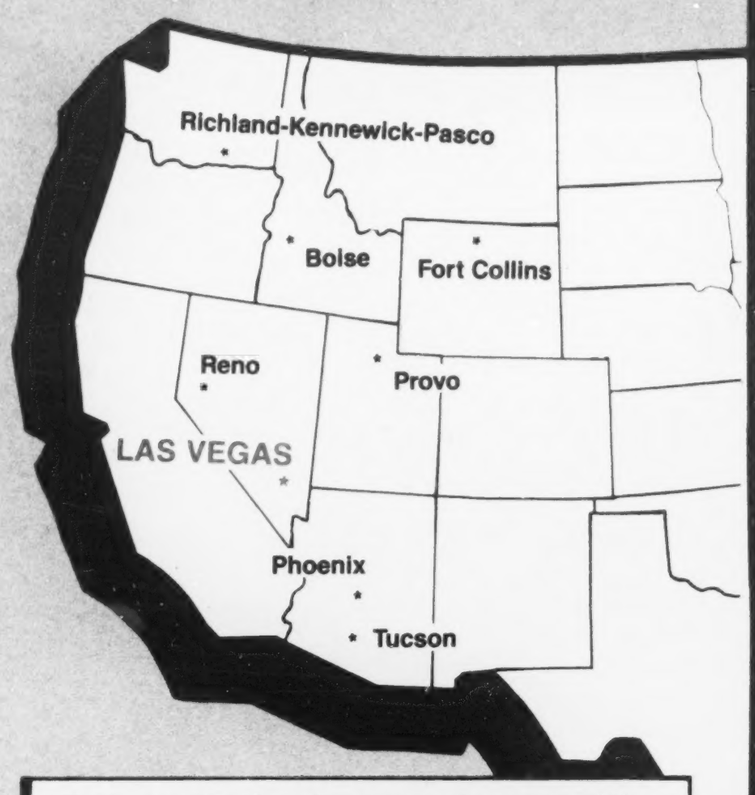
Some retailers believe there really isn't much difference in retailing strategies among home center operators in different regions. "It's more the result of temperature variations than anything else," said one merchandising manager, asserting that the kerosene heater and ceiling paddle fan phenomenon have not yet captured the fancy of the western DIYer to the same extent as they have in colder or higher humidity regions.

Northwestern states have been hard hit by the lumber slump, putting some cities in a deep freeze as far as economic expansion is concerned. Indications are that a thaw is beginning.

In the West, however, some markets are hot and others cold, said Richard Cushman, a group vp for Diamond In-

(Continued on page 16)

The Western Market



Testament to the phenomenal growth of the Western market: Of the 15 fastest growing metro areas in the past decade, over half are located in the West, with Las Vegas, site of the 1st annual Winter National Hardware & Home Center Show, ranked No. 2.

Fastest growing markets in the 1970's

Rank	Metro Area	Per cent increase 1970-1980	Population
1	Fort Myers-Cape Coral, Fla.	94.2	204,314
2	**Las Vegas**	**69.1**	462,218
3	Sarasota, Fla.	67.5	201,731
4	**Fort Collins, Colo.**	**66.0**	149,278
5	Fort Lauderdale-Hollywood, Fla.	62.2	1,005,507
6	Bryan-College Station, Tex.	61.2	93,487
7	**Reno, Nev.**	**60.1**	193,870
8	West Palm Beach-Boca Raton, Fla.	58.2	551,961
9	**Provo, Utah**	**57.7**	217,281
10	**Phoenix**	**55.6**	1,511,552
11	McAllen-Pharr-Edinburg, Tex.	54.2	279,857
12	**Boise, Idaho**	54.0	172,843
13	**Richland-Kennewick-Pasco, Wash.**	**53.5**	143,287
14	Orlando, Fla.	53.3	694,645
15	**Tucson, Ariz.**	**51.2**	531,896

Source: Census Bureau; Sales & Marketing Management

'I could safely say we're overstored here. But part of that is anticipation of continued growth, so I don't worry too much about it.'

—Dean Drake, gm, O'Malley Lumber, Phoenix,

'I feel the Western States have super potential. We've got a lot of investment here and we think there's going to be tremendous growth.'

—Richard Cushman, group vp Diamond International Sacramento, Calif.

Big-name makers introduce line of DIY faucets

(Continued from page 1)

American Standard plans to display a fuller faucet line with a 10-year warranty at the National Home Center Show in Dallas, Tex., and will be using a team of 140 reps to solicit business from home center retailers around the country. In addition, Irvine said the company has developed an advertising and promotional campaign that would give retailers "added incentive to test our product in their stores. Our name alone is not going to sell Grace or Cotter & Co., but we think our promotional plan will at least get our foot in the door."

He noted that the second stage of the company's marketing effort would be to offer a broader assortment of plumbing fittings, with a fixture program sold directly to dealers being contemplated "down the road."

Retailers and competitive manufacturers were virtually all in agreement that the high-end faucet market has not been fully cultivated, but they claimed that American's chances of breaking into a retail product category already flooded with suppliers will depend on two things: its willingness to engage in what will likely be a very expensive advertising campaign, and its ability to make a name for itself in a product in which it has no DIY image.

"There very definitely is a market for upscale DIY faucets, and our product placement and sell-through have proven this," said Burgess of the Indianapolis-based Peerless. "I would guess, though, that for American to make it, it would have to take some market share from us and Stanadyne and other suppliers, so advertising will definitely be the key."

(Irvine commented that American's advertising expenditure in this program would be "equal" to Peerless', or roughly $1.5 million.)

"The trend toward the high-end has been determined by making the price reasonable for the consumer to trade up to," said Bob Jewell, consumer products marketing manager for Kohler Co., Kohler, Wis. "He has to accept the difference in quality between a $40 and $80 faucet." Jewell also felt the retail price threshold, even at the high-end, for faucets was around $125.

Kohler carries about 20 sku's of faucets, ranging in price from $45-$90, that are sold solely through wholesalers. Jewell said Kohler had no immediate plans to change its method of sale and distribution because of American's new marketing strategy.

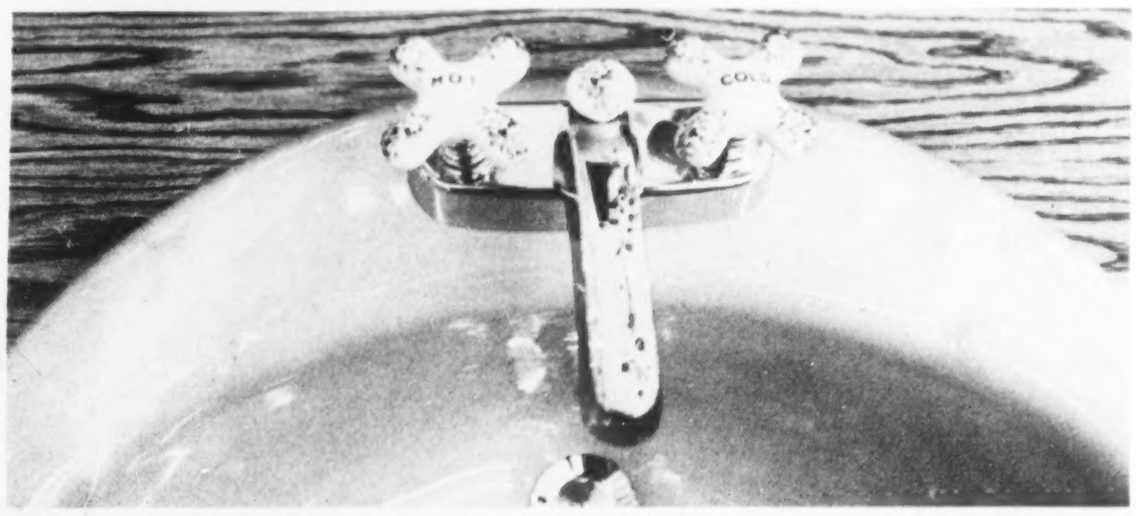
Burgess added that the retail faucet market was "extremely fragmented, which should work to American's advantage, although a lot will depend on how much market share it envisions it will take for the program to be a success."

One company whose market share American might be aiming at cutting into is Artistic Brass, Los Angeles, which has established a strong reputation on the West Coast as one of the premier marketers of high-end faucets to the DIY retailer. Artistic's marketing vp, John Forbes, acknowledges the potential impact that the entry of American might have on the high-end market, but he declined to discuss any marketing strategy with *NHCN* for fear of tipping off his competition.

"I still think it will take them at least two years to develop a position in the market we have now."

He conceded, however, that American's established network of 1,000 distributors would be a plus to their marketing a higher-end faucet, but insisted its products were not up to the standards of his company's models.

The question remains, however, just how large the high-end pie really is, and whether there is enough dollar volume to be sliced up among the various producers queuing up to get into home center outlets.



An example of the high-end faucets retailers report their customers are asking for. In response to this demand, several of the larger plumbing manufacturers, most recently American Standard, have developed higher-priced faucet programs that dealers can buy direct. NHCN photo

"I'm positive the high-end faucet market exists, but it's still small, 5%-10% of total market volume," said Dale Denniston, buyer for the 100-unit Scotty's, Winter Haven, Fla. He explained that the chain tested Peerless' Designer faucets last year, "but we didn't do particularly well with them; we sold some at very strong margins, but not enough to justify retaining that expensive line."

Denniston felt American will have to offer both its fittings *and* fixtures directly, to eventually capture a sufficient piece of the DIY market.

In addition, he observed, it might be "smart" for American to change the name of the product it retailed from the one it sold through distributors (as Delta, with Peerless, and Valley, with AquaLine, have done) so as not to alienate its wholesale customers.

"At retail, even at the high end, things sometimes get down and dirty and a retail store's prices might be less than a distributor can buy the product for, which causes tension between him and the manufacturer."

He said he was willing to talk further with American Standard reps, but confessed that he had no room for the high-end faucets in his current product selection, "which doesn't mean I won't in the future."

One Northeastern chain said it has been carrying six sku's of American's faucets, and one toilet, for several years, and would continue to buy through a wholesaler despite American's direct shipment offer.

"With American's probable drop shipment charges, and the commission for the reps, we think we can buy its faucets from our distributor for 20% less than what it would cost us to go direct," said the chain's plumbing merchandise manager. "But I don't think American is making a mistake by going direct because no matter where it places its faucets, they will sell."

However, he noted that, because American does not allow its customers to waver from its price list, "we have not been able to get the kind of margins we need to sell the product as profitably as we'd like," claiming that the margins on American Standard's high-end faucets in his stores were "from 8%-12% lower" than the average for the chain's 70-sku faucet program.

The merchandise manager also disagreed with Denniston's assertion about American possibly changing its name to assuage its wholesale clients. "If it does that, it will just be selling another faucet line, and there are more faucets on the market right now than we know what to do with. American's biggest asset is its name."

Some retailers are not all that convinced that the company's reputation, which one dealer called "the best in the industry, without question," would carry enough weight with consumers looking for high-end faucets. "What American would have to do, if it wants to sell our chain," said Lyle Gregory, buyer for Lumberjack Stores, Sacramento, Calif., "is glamorize the product and make the market bigger than it is now, and that takes advertising—a lot of it."

Gregory added that developing a retail program for a new product was "hard work," and that price would continue to be an important consideration before Lumberjack would take on higher-end faucets. "The meat of the market is still at the middle price point," he said.

However, at the independent Stripling-Blake, Austin, Tex., which sells $1,000 bidets and $4,000 bathtubs, high-end faucets fit right into its product mix, according to buyer Albert Uhrig. "I do a 15-minute weekly clinic on a TV show 'Good Morning Austin,' and I always tell people it's better in the long run to buy the more expensive plumbing product."

Uhrig took on a high-end faucet line last Nov. 1, and said he has been having difficulty selling off the low-end brand the store is dropping, "which proves to me at least that customers aren't interested in buying the lower-priced stuff anymore."

He noted, though, that he saw little difference between buying direct or through a wholesaler—claiming that the margins on the product did not change perceptibly. He also felt that, in American Standard's case, a more important element in its marketing would be to insure product availability throughout the year. "We carry one manufacturer as our midrange faucet supplier, and had some delivery problems in December, which you run into with almost every supplier."

Bruce Feinstein, merchandising vp for the eight-unit Eclipse Industries, St. Louis, agreed with Uhrig and included supplier flexibility, along with pricing and advertising, as the ingredients that would determine whether American Standard's program gets off the ground.

"The company's well-known name will definitely help, but the faucets also will have to have beautiful designs and be different from the rest of the pack," he said. "But there's no question that if you can offer a value to consumers, they will pay extra for quality."

Feinstein thought American would have a difficult time breaking into the high-end DIY faucet market anyway, and pointed to the "superior" job Peerless did when it introduced its high-end faucet line as one example American might follow. "There are a lot of suppliers out there, and American will have to come up with something unique to sell most home center chains," he said.

New trade shows debut in booming Western market

(Continued from page 13)

ternational, which operates 55 home centers in its Western division. "From our vantage point things have been very weak in the last couple of years in much of our western trading territories," Cushman commented. "But there are exceptions, such as Colorado Springs. Conversely, retail sales have been in the pits in our Reno store. A number of lumberyards in that town have just been holding on by their fingernails."

At O'Malley Lumber in Phoenix, general manager Dean Drake asserted that the Phoenix-Tucson area is "overstored. But part of that is anticipation of continued growth so I don't worry too much about it."

Cushman said that "looking to the future, I feel the western states have super potential. We've got a lot of investment here and we think there's going to be a tremendous amount of growth. We're betting on it."

Still, one home center executive, looking at the West Coast in a broader perspective, commented, "Some of your more profitable home centers are on the East Coast, if you take a look at the P & L's."

Las Vegas, the 2nd-fastest-growing metro area in the nation, is the site of the first annual Winter National Hardware and Home Center Show. NHCN photo

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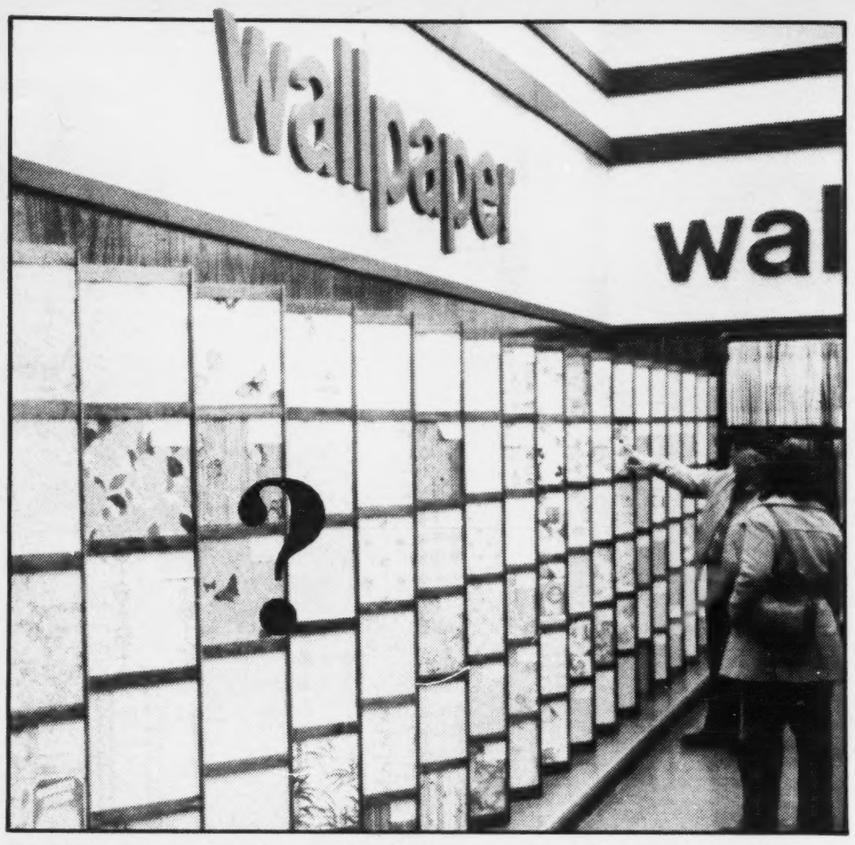
DECORATIVE PRODUCTS SUPPLEMENT—P. 41

National Home Center News®

Vol. 9, No. 4 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. February 14, 1983

MERCHANDISING SPOTLIGHT:



Customers scan the selection at a Gee Lumber outlet: Is wallpaper on its way out as a staple home center product?

Some chains reassessing wallpaper departments

By John Caulfield
NHCN associate editor

NATIONAL REPORT—The importance of wallpaper as a staple home center product is coming under serious question as a number of major chains have either dropped the product or have dramatically reduced their inventory of roll goods in the past year.

While Hechinger, The Home Depot, Pergament, Somerville Lumber and the W. R. Grace chains are among home center companies maintaining strong in-stock positions with wallpaper, and a good portion of the industry continues to offer a representative sampling of patterns in their stores, a surprising number of chains are thinking otherwise.

Wickes Lumber, Chase-Pitkin, Grossman's, Handyman, Ernst, 84 Lumber, Hugh M. Woods, Ole's, Homeowner's DIY, Lampert Lumber, Peter Kuntz and Goodman Lumber, to name only a few, either no longer stock the product or are in the process of dropping it from their stores.

"With Wallpaper To Go and specialty chains like it competing against our stores, we just weren't able to sell wallpaper

(Continued on page 32)

NEWSBREAKS

LUCKY 13. Two more Handy Andy Home Improvement Centers are scheduled to open in late spring or early summer to bring the chain's store count to 13. The stores will debut in Crest Hill, Ill., in a former Gaylord's discount store and in Schaumburg, Ill., in a former Woolco. Indoor retail space will be 60,000 and 55,000 sq. ft., respectively.

MARCH ON MILWAUKEE. Milwaukee's first 80,000-sq.-ft.-85,-000-sq.-ft. Menard Cashway Lumber, apparently with enough warehousing space to serve additional Menard's stores in the market, is scheduled to debut next month.

INSIDE:

DESPITE A SURGE in new home building at the end of the year, housing starts for all 1982 reached their lowest point since 1946 ..... Page 2
WOLOHAN'S SALE of its Columbus, Ohio, store to Sutherland Lumber sets the stage for new home center activity in this Midwest market ..... Page 3
COAL AND WOOD BURNING STOVES now fall under new C.P.S.C. safety label requirements ..... Page 3
RETAIL TRADE will outgain other sectors of the United States economy in 1983, according to a new report ..... Page 3
SCOTTY'S REPORTED solid 2nd quarter earnings and sales gains ..... Page 4

Specialty stores challenging home centers for DIY trade

New survey says more competition will dampen DIY growth rate

By Wyatt Kash
NHCN editor

CHICAGO—Home center retailers should expect slower growth for the do-it-yourself market, and increasing competitive pressure from specialty stores, and other retail industries now trying to sell DIY products, warned Bradley T. Farnsworth, executive director of the DIY Research Institute, during an industry presentation here last month.

As estimated 73.5% of the nation's adult population said they had engaged in do-it-yourself home improvement and repair activities during the previous 12 months, according to survey results released during the meeting.

However, Farnsworth noted that far more growth in DIY business would come from prodding existing do-it-yourselfers to tackle more projects, than from converting non-DIYers into home handymen and -women.

When queried about their future intentions for do-it-yourself activity, for example, three-fourths of those respondents who classified themselves as non-DIY consumers indicated no interest in undertaking new DIY projects.

"Essentially," said Farnsworth, "these people are saying 'I'm not a do-it-yourselfer, and I'm not going to be one.'"

In contrast, of consumers who considered themselves do-it-yourselfers, 30.3% expect to undertake "more" DIY projects than they currently tend to tackle, and another 12% planned "much more" DIY activity; 39.4% said their future level of activity would remain "the same."

Nearly three out of every five non-do-it-yourselfers are 55 years and older, survey figures show, while the largest proportion of DIYers are between the ages of 30 and 54. As a result, noted Farnsworth, there is not much room to expand the proportion of adult DIYers due to the growing number of people who are plowing each year into the older age segments of the population.

While Farnsworth indicated that as a result of this trend, the booming growth of the do-it-yourself market would be less dramatic in the years ahead, the DIY Research Institute itself provided no definitive sales growth projections.

(Continued on page 7)

Top 20 items purchased at home centers by DIYers*

Product	Per cent of DIY consumers
Kitchen sink	57.3
Paneling	51.5
Lumber	50.8
Ceiling tile	49.1
Insulation	48.3
Cabinet hardware	38.2
Weather stripping/ caulk	37.2
Roofing/shingles	36.8
Fasteners	36.2
Kitchen faucets	34.7
Bathroom vanity	34.6
Drywall	33.1
Light switches	32.6
Bathroom faucets	32.4
Electrical wiring/ outlets	30.3
Toilet/repair parts	30.0
Varnish/stain	29.9
Downspouts/gutters	29.2
Window screens	29.1
Exterior doors	27.8

*By level of intensity based on telephone interviews with 1,997 consumers in 1982

Source: Do-It-Yourself Research Institute, 1982 Baseline Survey of the DIY Consumer

Of all kitchen sinks purchased by DIYers in the past 12 months, 57.3% were bought at home centers, more than at any other type of outlet.

National Home Center Show preview:

Expect heavy buying in Dallas

DALLAS—Like its predecessors, this year's eighth annual National Home Center Show will serve primarily as an event where home center retailers can establish old and new vendor relations, discover new products, solicit co-op funding and exchange ideas with competitors.

There are several industry executives, though, who said they would attend the show, returning to Big D after a three-year absence, specifically to place orders with, and squeeze extra ad dollars from, some of the over 1,200 vendors exhibiting on the floor of the Dallas Convention Center from Feb. 27-March 2.

Most chains contacted will be sending fewer people to Dallas than to past shows, and retailers indicated they would have less time to devote to the 13 business seminars the show's sponsor, Vance Publishing, has organized for the four-day fete. Some dealers even questioned the value of the seminars for their companies, but the majority said that someone from their chains would attend at least a few of the panel discussions.

Traditionally, the Home Center Show has afforded retailers the opportunity to absorb as much as they can from vendors, distributors and competitive peers about what is going on throughout the industry. "At what other time can you accomplish in one fell swoop what otherwise would take you and your buyers a year to do?" asked Bernie Marcus, chairman of the 10-unit Home Depot, Atlanta.

The five or six buyers and executives Home Depot sends to the show will, according to Marcus, have as their primary objectives the search for "new ideas," and to meet with key

(Continued on page 96)

Lowe's hits $1 billion sales at close of fiscal 1982

NORTH WILKESBORO, N.C.—Telephone operators at Lowe's here probably said it best on Jan. 17 when they were able to change their greeting from "Bust-a-Billion" to "We did it."

On that date, Lowe's became only the second home center entity to reach $1 billion in sales in a fiscal year. By the close of the year at the end of last month, Lowe's officials were expecting to report annual sales of between $1 billion and $1.1 billion.

The only other home center company to reach $1 billion in volume was Wickes Lumber which did it in several recent years and peaked at $1.4 billion in its fiscal year ended Jan. 26, 1980.

In another development, Lowe's officials announced that they plan to offer 1.5 million common shares to the public to use for expansion of the 235-store chain and to fund working capital requirements. A prospectus concerning the offering also mentions the development of three store prototypes of varying sizes and marketing purposes to emphasize retail business.

Clayton A. Griffing, Lowe's senior vice president finance,

(Continued on page 96)

NHCNews Briefs

Industry Update

Stambaugh to add 3 new stores

AKRON, Ohio—Stambaugh-Thompson, the 17-unit Youngstown, Ohio, chain, announced plans to open three new stores here. The outlets, the first that the chain has opened in three years, are expected to come on line by April, according to Philip Thompson, president.

The stores are expected to average 26,000 sq. ft. and carry a complete line of building materials. The chain recently completed a 20,000-sq.-ft. addition to its Austintown, Ohio, store, giving the store 40,000 sq. ft. of selling space, including the chain's first major indoor/outdoor nursery.

The chain also announced plans to build a 40,000-sq.-ft. prototype store in Warren, Ohio, including a 1½-acre nursery, slated to open in the spring of 1984.

Wickes sells Maxwell division

SANTA MONICA, Calif.—Wickes is continuing to shed itself of businesses, most recently signing an agreement for the sale of its Maxwell Furniture division to Maxwell Bros. for in excess of $10 million in cash and announcing the closing of its Chicago-based Aldens catalog merchandising company.

Both Maxwell and Aldens came to Wickes in the 1980 acquisition of Gamble-Skogmo.

The sale to Maxwell Bros. involves 72 stores in the Carolinas, Georgia and Alabama with sales of about $40 million in the fiscal year ended Jan. 29, Wickes officials said.

The Maxwell group of stores was formerly owned and operated by the Maxwell family. In 1968, it was sold to Family Finance which became part of Gamble-Skogmo in 1977.

The sale is subject to creditor committee review and court approval.

Earlier, Wickes said it was closing Aldens after efforts to sell the business were exhausted, officials said.

"With the capital infusion and other resources required to attempt to turn the business around, the risk was too great to proceed," they said. "We had no choice but to proceed with the wind down."

By the end of the month, Wickes expected only to have a few hundred Aldens employees left, down from 2,500 in January 1982.

Scott's set to control expenses

LINTHICUM, Md.—Scotts Seaboard, parent company of 17-unit Scott's, has implemented a "belt-tightening" program to help control expenses, according to Earl R. Halterman Jr., president.

The program includes a moratorium on capital spending and reductions in payroll costs, officials said.

Halterman noted that the payroll controls include trying to limit part-time help, a freeze on hourly wage increases and management salary reductions ranging from 5% to 16%.

Another expense control has been the implementation of winter store hours, he said. From prior to Christmas through February, Scott's stores are now opened until 8 p.m. instead of 9 p.m. as was past practice.

The moves come as the company continues to make strides in rebounding from early fiscal 1983 deficits and in digesting the acquisition of seven Frank's Hardware units in the latter portion of 1981.

Primarily as a result of the Frank's acquisition, interest expense for the parent in the first three quarters of fiscal 1983 was up from $495,000 in the previous year to $939,000, Halterman said.

Scotts Seaboard, which also operates wholesaler Seaboard Plywood and Lumber, South Windsor, Conn., incurred a net loss of $590,000 in fiscal 1982, ended Jan. 30, 1982, essentially because of the Frank's acquisition. The company suffered a first quarter net loss of $416,000 in fiscal 1983.

It was profitable in the second and third quarters and had cut its losses through the first three quarters to $332,000.

In the period, Scott's stores' operating profit was down 35% to $344,000 compared to year-ago figures.

The mood was definitely upbeat on the floor of the Houston Astrodome where home builders and several major retail chain officials attended last month's National Assn. of Home Builders convention in Texas. Exhibitors commented on the strong buying interest which many hoped would materialize into sales increases in the 2nd quarter. Among the chains sending representatives were Pay 'N Pak, Lowe's, Moores, Scotty's, the Home Depot, Handy Andy, Wolohan Lumber, and Goodman Lumber. NHCN photo

Late year home building surge fails to lift '82 housing figures

WASHINGTON—For the nation's housing industry, and indeed, the entire United States economy, 1982 will go down in the record books as having been the worst year for new home construction since 1946.

Despite three consecutive months of sharp increases in the rate of new home starts during the final stretch of 1982, the nation's home builders collectively started only 1,061,000 new housing units last year.

The estimated Commerce Department tally came after its release of December housing figures, which showed a 13% decline from November's seasonally adjusted annual rate of new home starts, to 1.22 million units.

Major flooding in the South—where more than 57% of all starts occurred in 1982—and unseasonally heavy rainfall in many other regions were cited as responsible for December's sharp decline.

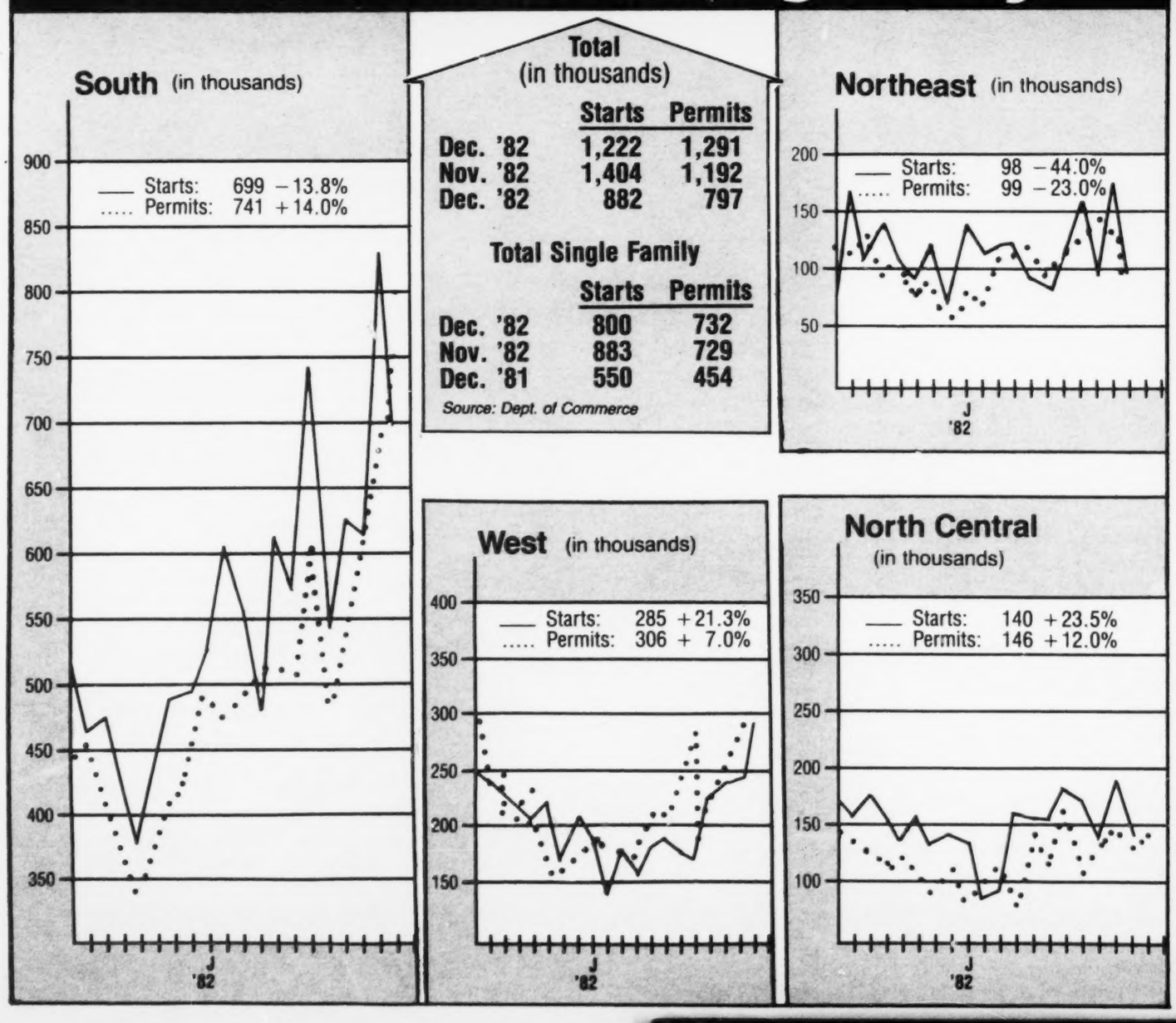
Single family housing starts also fell that month by 9.4% from November figures to an annual rate of 800,000 units, while multifamily dwellings plunged 19% to a rate of 422,000.

However, there was some cause for optimism that future construction might steadily improve in 1983. Building permits, an indicator of construction activity in the next months, rose 8% in December to an annual rate of 1.291 million units, and single-family permits inched down in December only 0.4% to a seasonally adjusted yearly rate of 732,000.

And mortgage interest rates dropped 4.8% in December and 12.5% for 1982, which could be a shot in the arm to the housing industry that suffered under the weight of 17% interest rates only last summer. Mortgage declines were a major factor in pulling down the Consumer Price Index 0.3% in December

(Continued on page 95)

December home-building activity



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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $20 a year ($21 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices.
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Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10157. For change of address six weeks notice is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 9, No. 4 February 14, 1983

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FINANCIAL NEWS

STOCK PRICES

	As of 1/24	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	35¼	41¾	19¾	136
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	11⅝	17¾	4⅞	—
Forest City (AMEX)	18½	19	11¼	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	41¼	45½	28½	6
Lowe's (NYSE)	28⅞	37¼	12¾	25
Pay 'n Save (Nasdaq)	34⅛	36¾	16½	—
Payless Cashways (NYSE) [Furrow]	38¼	50¾	15¼	20
Scotty's (NYSE)	27	31¾	12	17
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	11⅞	15¾	7¼	—

Over-the-counter stocks

	As of 1/24 Bid	Asked	52-week High (Bid)	Low (Bid)
Erb Lumber	12½	14½	16¼	7½
Hechinger	19¾	20	38½	12⅛
Hines Lumber	18	19	20	13
The Home Depot	26	26¼	30¾	5
Pay 'N Pak	19⅛	19⅜	23¾	11⅝
Scotts Seaboard [Scott's]	1	2	2¼	⅝
Wolohan Lumber	6⅛	6⅜	7⅛	3

Scotty's earnings increase 16%, sales climb 14% in 2nd quarter

WINTER HAVEN, Fla.—Scotty's rode its first comparable store and builder sale increases in more than a year during its second quarter ended Jan. 1 to help post a 16% earnings gain and a 14% sales hike, chain officials said.

Net income in the period grew to $1,668,000 while sales jumped to $80,363,000, including $30.8 million in the five-week period ended Jan. 1.

In stores opened for at least one year, sales were up 5.2% from the second quarter of fiscal 1982.

Builder volume increased 14.7% in the quarter from year-ago figures to account for 23.8% of the chain's total volume.

It was the first time since the first quarter of fiscal 1982 that either the comparable store or contractor sale figures were up from their previous comparable periods.

In addition to the favorable sales gains, chairman James W. Sweet attributed the earnings increase to expense and inventory controls.

The earnings increase left security analysts a bit disappointed, however, since it was against a weak fiscal second quarter of a year ago.

Barbara Alexander of Smith Barney, New York, noted that there were several factors which limited the 100-store chain's gross margin growth from 29.04% a year ago to 29.27% in the most recent quarter.

She explained that Scotty's margins were affected by a $150,000 write-down on ceiling fans already in inventory to mark them at market levels, by the increased volume with contractors, and by a more promotional thrust which was "a deliberate move on management's part to increase volume in a period leading to a housing upturn."

Also affecting the bottom line, she noted, was a 20% increase in stores in operation from a year ago. While the stores are building volume and better returns, normal expenses drain some profit.

In another development, Scotty's has declared and distributed a 50% stock dividend. Sweet said one of the prime motivators for the stock split and dividend was to make Scotty's stock more readily available to the public.

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Boise Cascade	12/31-4th qtr. 12/31-Year	$ 720,910 2,912,450	$ 728,290 3,107,360	– 1 – 6	$ 7,640 7,250	$ 37,240 120,080	– 79 – 94
Lowe's	12/25-4 wks.	79,200	58,500	35	—	—	—
Pay 'N Pak	11/30-3rd qtr.	51,755	51,699	—	2,124	2,079	2
Payless Cashways	11/27-4th qtr. 11/27-Year	179,703 602,666	129,452 478,779	39 26	8,130 23,079	5,204 16,632	56 39
Rickel Home Centers	10/30-3rd qtr.	58,466	47,232	24	—	—	—
Scott's	10/30-3rd qtr.	7,126	4,989	43	212**	– 10**	—
Scotty's	1/1-5 wks. 1/1-2nd qtr.	30,838 80,363	24,935 70,290	24 14	— 1,668	— 1,441	— 16

*$ in thousands
**operating income

Changeovers slowing Pay'N Pak growth

KENT, Wash.—A continuing conversion in 11 of Pay 'N Pak's 90 stores from automotives and sporting goods to merchandise including lumber and building materials, lawn and garden supplies and expanded kitchen and bath displays has slowed the chain's growth through recent quarters of its fiscal year ending Feb. 28, officials said.

While net income grew only 2% in the third quarter ended Nov. 30, 1982, to $2,123,603, the figure is down 8% for the chain's first three quarters from the previous year to $4,991,188, they said.

Sales have been up only marginally in the periods with third-quarter volume barely increasing to $51,754,818 to help push sales for the first three quarters up 4% to $148,632,899 compared to the same periods a year earlier. The slim sales gains came despite the addition of three more stores during fiscal 1983.

"Our decision to close out our auto and sporting goods departments has adversely affected company sales and profits since June of this [fiscal] year," said David J. Heerensperger, chairman and chief executive officer of the company.

"We closed out the auto and sports merchandise at reduced prices and gave up approximately 9% of the company's total sales volume in order to make the change. Six of the 11 stores have been converted from auto and sports to complete home centers, and I am happy to report that sales in these stores have increased an average of 25%."

He added that officials expected to have 10 of the 11 stores completely remodeled by the end of last month. The new merchandise makes the 11 stores "more of a one-stop home center," officials said.

Hechinger stock splits 3-for-2

LANDOVER, Md.—Hechinger shareholders last month approved a proposal to increase the number of the company's authorized common shares from 10 million to 30 million and thus triggered a 50% stock dividend in the form of a 3-for-2 stock split.

Hechinger officials had earlier announced the split but noted that it was contingent on shareholder approval of the increase in the authorized shares. The stock dividend brings the number of Hechinger common shares outstanding to 13.9 million.

In another development, Hechinger officials said construction is nearing completion on the 25% enlargement to the company's central distribution center here. The addition of 100,000 sq. ft. will enable the 34-store chain to serve up to 55 stores.

The chain has announced that its first three North Carolina stores would open this month and next.

Turn to Georgia-Pacific...
page 49

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DIY study

(Continued from page 1)

Morris R. Robinson, vice president of the Chicago-based Research Bureau of Building Marketing, however, in addressing the dynamics of the DIY market during the day-long meeting, estimated that total home modernization expenditures will increase from an estimated $55.7 billion last year, to a projected $57.7 billion this year, and $60.3 billion in 1984.

In exploring where DIYers shop for the products they buy, the institute found that specialty stores have gained a significant foothold in market share in certain key product categories. However, there continues to be tremendous variation in market share among different types of retail stores when looking at all home center product lines, noted Farnsworth.

Specialty stores outranked home centers as the place of purchase for wallpaper and paint, but home centers still outrank hardware stores for the sales of many traditional hardware items.

According to 1,500 respondents in the survey identified as DIYers, for example, 22.9% bought wallpaper during the previous 12 months. Yet 60.4% of those buyers made their purchases at specialty outlets, compared to 8.3% who bought the product at a home center, and 9.9% who bought it at a discount store.

On the other hand, home centers were clearly the No. 1 outlet, when compared to hardware stores, lumber and building material outlets, discount and department stores, when DIYers purchased insulation, ceiling tiles, wall paneling, roofing, gutters and downspouts, brick and masonry items, weather stripping, bathroom and kitchen faucets and sinks, and other building materials.

The study also covered the development of a newly emerging consumer segmentation, whose profiles are based on their shopping habits.

Among the findings of that

(Continued on page 9)

What DIYers bought and where in 1982

What DIYers bought: Product category (individual products)	How many bought items: Per cent of DIYers buying in past 12 months	Where DIYers bought the items: Per cent of unit purchases among DIY buyers, by outlet type* — Hardware stores	Home Centers**	L/BM outlets	Sears, Penney, Ward	Discount stores	Specialty stores	Nonretail Direct mail Garage sale Flea market
PLUMBING AND HEATING Bathroom Faucets	23.1	19.9	32.4	5.8	7.5	4.4	19.5	3.1
Toilet/Repair Parts	20.8	13.8	30.0	5.4	6.5	7.6	15.8	8.8
Kitchen Faucets	20.6	16.9	34.7	6.1	9.7	7.1	14.5	3.9
Bathroom Vanity	8.2	0.8	34.6	10.0	10.9	6.4	16.4	5.6
Water Heater	6.9	5.6	9.3	1.7	39.4	—	22.8	7.0
Kitchen Sink	4.7	4.6	57.3	9.3	3.9	1.7	13.1	3.0
Garbage Disposal	3.4	3.0	7.3	1.1	46.7	1.8	26.5	2.8
ELECTRICAL Light Switches	31.0	22.2	32.6	6.2	5.7	12.1	11.9	4.2
Light Fixtures	28.1	7.5	23.9	5.2	12.3	11.0	21.0	9.8
Electrical Wiring/Outlets	23.9	20.8	30.3	6.1	4.3	4.8	12.7	10.1
Ceiling Fan	13.4	2.0	22.5	1.6	15.1	12.5	26.6	4.5
PAINT & PAINT SUNDRIES Interior Paint	60.9	11.7	13.4	3.1	25.9	9.7	28.0	3.3
Paint Brushes/Rollers or Other Supplies	58.0	14.1	16.2	7.1	17.0	14.8	25.7	0.9
Exterior Paint	32.9	7.4	13.3	4.9	28.9	7.6	33.7	1.8
Varnish/Stain	32.2	20.3	29.9	7.5	5.7	12.9	15.8	2.1
Wallpaper	22.9	4.2	8.3	0.5	5.8	9.9	60.4	2.8

*May not total to 100% due to other store types which are not listed.
**As defined by Home Center Institute: $1 million matured; 8-10,000-ft. selling floor; consumer hours; building materials emphasis.
Source: Do-It-Yourself Research Institute, 1982 Baseline Survey of the DIY consumer.

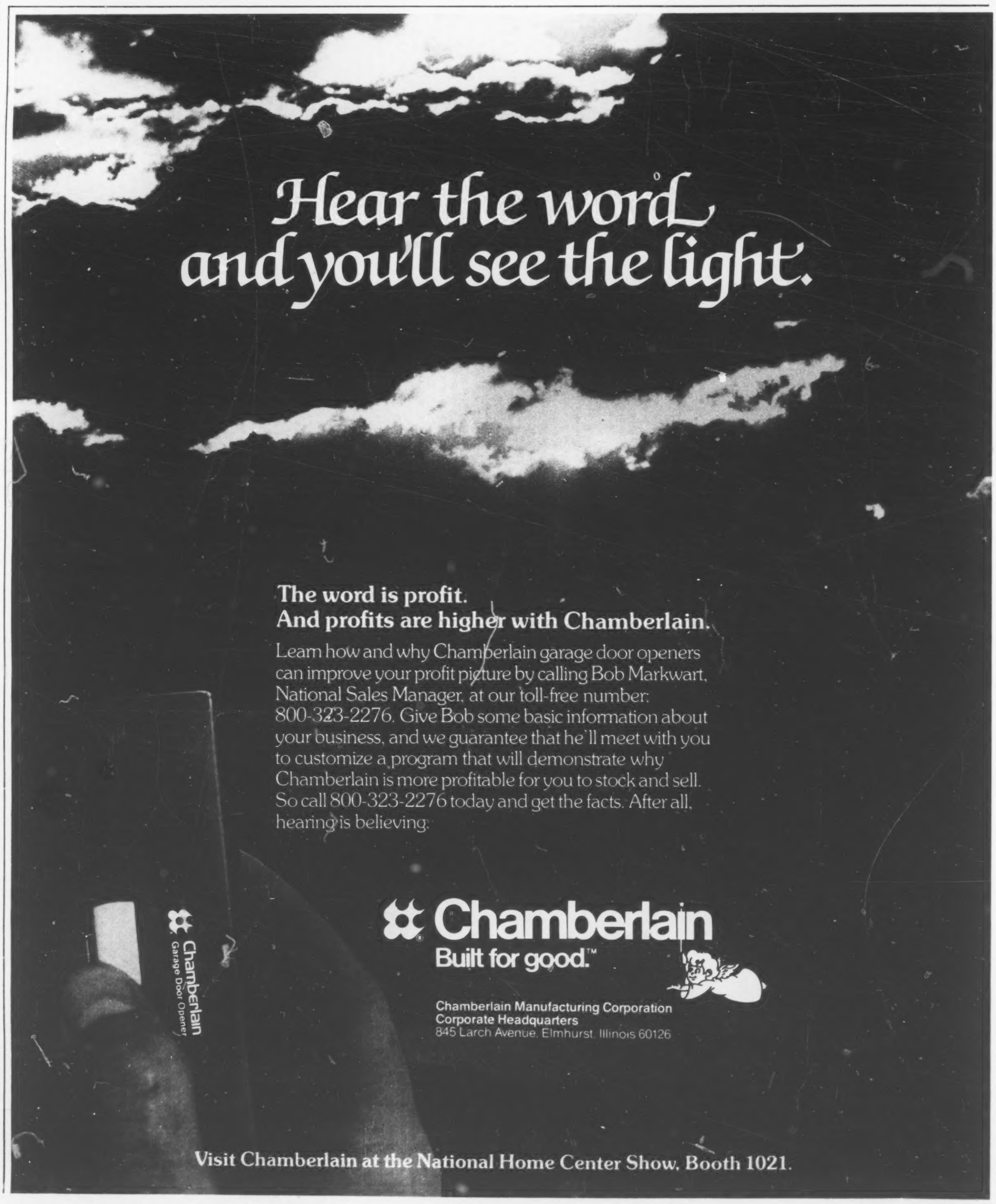
Top 20 items purchased at specialty stores by DIYers*

Product	Per cent of DIY consumers
Ceramic tile	65.0
Carpeting	62.8
Wallpaper	60.4
Vinyl floor covering	45.7
Exterior paint	33.7
Kitchen cabinets	30.1
Interior paint	28.0
Ceiling fans	26.6
Garbage disposal	26.5
Paint brushes/rollers and other supplies	25.7
Windows/glass	23.2
Water heater	22.8
Light fixtures	21.0
Bathroom faucets	19.5
Exterior siding	17.8
Exterior doors	17.7
Bathroom vanity	16.4
Toilet/repair parts	15.8
Varnish/stain	15.8
Brick/masonry	15.6

*By level of intensity based on telephone interviews with 1,997 consumers in 1982

Source: Do-It-Yourself Research Institute, 1982 Baseline Survey of the DIY Consumer

DIYers overwhelmingly preferred to purchase their ceramic tile, carpeting and wallpaper at specialty stores than at any other type of outlet.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What DIYers bought and where in 1982

What DIYers bought: Product category (individual products)	How many bought items: Per cent of DIYers buying in past 12 months	Where DIYers bought the items: Per cent of unit purchases among DIY buyers, by outlet type* — Hardware stores	Home Centers**	L/BM outlets	Sears, Penney, Ward	Discount stores	Specialty stores	Nonretail Direct mail Garage sale Flea market
LUMBER/BUILDING MATERIALS								
Lumber	42.7	1.4	50.8	42.2	—	1.4	0.6	0.3
Shades/Shutters	24.4	3.5	11.7	2.7	22.8	23.0	14.1	7.0
Insulation	19.5	3.3	48.3	20.1	4.0	6.1	2.6	5.0
Drywall	17.0	7.9	33.1	25.0	1.5	1.0	5.0	13.7
Carpeting	16.6	—	6.2	1.6	10.4	2.4	62.8	7.9
Windows/Glass	15.1	17.0	21.6	16.2	—	0.4	23.2	12.1
Vinyl floor covering	14.8	0.4	12.6	3.2	8.5	5.8	45.7	14.2
Roofing/Shingles	13.4	5.3	36.8	23.6	2.9	2.3	9.3	6.9
Paneling	12.3	0.8	51.5	24.1	0.4	11.4	7.1	2.7
Exterior doors	10.4	0.1	27.8	21.4	7.0	1.1	17.7	12.2
Brick/Masonry	9.6	6.0	25.6	17.8	0.1	6.7	15.6	16.8
Downspouts/Gutters	8.2	7.5	29.2	12.8	8.2	4.5	10.8	6.7
Ceiling Tile	7.6	4.1	49.1	14.6	2.2	3.3	6.3	6.5
Ceramic Tile	5.0	1.7	18.7	1.1	2.4	—	65.0	6.6
Kitchen Cabinets	3.8	—	22.7	24.9	2.1	2.1	30.1	13.3
Exterior Siding	3.7	—	19.1	33.3	—	4.2	17.8	12.2

*May not total to 100% due to other store types which are not listed
**As defined by Home Center Institute: $1 million matured; 8-10,000-sq.-ft. selling floor; consumer hours; building materials emphasis
Source: Do-It-Yourself Research Institute, 1982 Baseline Survey of the DIY consumer

Home centers outranked lumber and building materials outlets (50.8%-42.2%) as the type of store DIYers chose to buy lumber (see chart at left). Paneling, ceiling tiles and roofing also were bought most often at home centers. Although hardware stores tend to outrank home centers slightly as the type of store where DIYers buy certain tools (see chart on next page), neither ranks as high as stores like Sears, Penney and Ward.

Top 20 items purchased at lumber/building material outlets by DIYers*

Product	Per cent of DIY consumers
Lumber	42.2
Exterior siding	33.3
Drywall	25.0
Kitchen cabinets	24.9
Paneling	24.1
Roofing/shingles	23.6
Fasteners	22.8
Exterior doors	21.4
Insulation	20.1
Brick/masonry	17.8
Windows/glass	16.2
Ceiling tile	14.6
Door locks	13.5
Downspouts/gutters	12.8
Window screens	11.0
Bathroom vanity	10.0
Weather stripping/ caulk	9.6
Kitchen sink	9.3
Cabinet hardware	7.6
Varnish/stain	7.5

*By level of intensity based on telephone interviews with 1,997 consumers in 1982

Source: Do-It-Yourself Research Institute, 1982 Baseline Survey of the DIY Consumer

Lumberyards now sell less frequently to DIYers than home centers do although lumber outlets are still the No. 1 choice for siding.

Top 20 items purchased at hardware stores by DIYers*

Product	Per cent of DIY consumers
Window screens	26.3
Fasteners	23.5
Light switches	22.2
Electrical wiring/ outlets	20.8
Door locks	20.4
Varnish/stain	20.3
Bathroom faucets	19.9
Weather stripping/ caulk	19.7
Hammers	17.6
Windows/glass	17.0
Kitchen faucets	16.9
Hand saw	15.3
Electric drill	15.2
Paint brushes/rollers and other supplies	14.1
Cabinet hardware	13.9
Toilet/repair parts	13.8
Chain saw	13.5
Hand tools (in general)	12.4
Power tools (in general)	12.1
Interior paint	11.7

*By level of intensity based on telephone interviews with 1,997 consumers in 1982

Source: Do-It-Yourself Research Institute, 1982 Baseline Survey of the DIY Consumer

Window screens are purchased more frequently by DIYers than any other hardware store item, but still fall short of the rate at which home centers sell them.

The Battle of the Blade Safety Systems...

Stop&Tug VERSUS Stop&Go

What does MTD's "Action Guard" Blade Brake Clutch do that other systems don't?

A. That's easy. Action Guard allows the rotary to **stop and go** . . . automatically . . . positively . . . because it stops **only** the blade — **not** the engine!

Let's face it. All three blade safety systems work. And MTD produces rotaries that incorporate each of them. But **one system** is most convenient . . . easiest for any family member to operate . . . eliminates all the annoying stopping-and-restarting-and-tugging effort after each stop. It's the **MTD Action Guard Blade Brake Clutch.**

The blade spins for only as long as the operator holds down the control. When the control is released, the blade stops within 3-seconds. **The engine does not stop** until the operator wants it to stop . . . usually only after the mowing is completed.

It's the answer for your customers who want to get the lawn chores done with a minimum of effort . . . and those whose arms or wrists may tire from constant rope-pull restarting.

But don't all 3 Blade Safety Systems do pretty much the same thing?

A. Yes, pretty much. They all stop the blade action within 3-seconds of release of the control. But only the Action Guard allows the engine to **continue** running throughout the mowing period (or 'til the gas tank runs empty) to eliminate the need for arm-tiring or battery-draining engine restarting every time the control is released.

Is the ACTION GUARD Blade Brake System expensive?

A. No. Remember, it's from MTD . . . so you know it's moderately priced, and well within the budget of anyone who can afford a new rotary this season. It will outsell every other similar device on the market because of the convenience.

It's easy to demonstrate . . . easy to service . . . not complicated . . . and often makes the difference between "just looking" and a sale. True, the extended rope start system is cheaper. But it's also slower . . . and less convenient . . . and requires a constant tug-tug-tug every time it's stopped.

Does the ACTION GUARD interfere with a good clean cut?

A. Absolutely not. The excellence of any blade safety system depends on the excellence of its design and its compatibility with the rotary mower . . . and its convenience to the owner. As the nation's leading manufacturer of outdoor power products, MTD's engineers have designed the Action Guard to work in precise conjunction with a series of steel or cast deck rotaries with precision-cutting blades. **Special stainless steel control wires are added . . . plus an exclusive handle design for total comfort!**

Is ACTION GUARD available on many MTD rotary mower designs?

A. By all means! It's true that Action Guard is available only from MTD. But our designers have incorporated it into an almost unlimited array of MTD-produced rotary mower designs this year: side-discharge . . . rear-discharge . . . a variety of engine horsepowers, cutting widths and deck designs . . . even high-wheelers. Almost any new MTD rotary mower design can be supplied with a unique, exclusive Action Guard system.

How can you help a customer determine if the ACTION GUARD Blade Brake System is really right for him . . . or her?

A. Ask a few questions. Demand a few honest answers. How large is your lawn? Do you have a lot of reasons to stop? Do you require a lot of grasscatcher emptying? How often do you have to stop to remove twigs, stones, toys, obstacles? Do you cross sidewalks, paths, driveways? Do you stop to pull an occasional weed near the base of trees or close to fences . . . or open or close a gate? Or is lawn-grooming simply one of your Saturday morning pleasures (as it is to many, many Americans) and you want all the nuisance removed from your equipment? If their answer to any of these is "yes," they'll want a rotary with Action Guard.

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DIY study

(Continued from page 7)

part of the study: consumers place a great deal of importance on the quality of the merchandise they buy; its availability at the time they are shopping; and its perceived price/value.

Also speaking at the seminar was Marie Spengler, director of the VALS (Values and Lifestyles) program at SRI International, who discussed the psychological "topology" of today's consumers.

The Do-It-Yourself Research Institute, based in Indianapolis, is a nonprofit research organization, founded by Lowe's, Color Tile, W. R. Grace, The Stanley Works, Black & Decker Manufacturing, and Masco Corp.

Discount and department stores' inroads on the DIY market are illustrated in the two charts below.

Top 20 items purchased at Sears, Ward, Penney by DIYers*

Product	Per cent of DIY consumers
Electric circular saw	52.3
Electric sander	47.3
Garbage disposal	46.7
Water heater	39.4
Power tools (in general)	38.7
Screwdriver	35.9
Adjustable wrench	34.1
Electric drill	32.2
Exterior paint	28.9
Hand tools (in general)	27.9
Hammer	27.0
Interior paint	25.9
Hand saw	25.7
Automatic garage door opener	23.7
Chain saw	23.4
Shades/Shutters	22.8
Paint brushes/rollers and other supplies	17.0
Ceiling fan	15.1
Smoke detector	14.6
Bathroom vanity	10.9

*By level of intensity based on telephone interviews with 1,997 consumers in 1982

Source: Do-It-Yourself Research Institute, 1982 Baseline Survey of the DIY Consumer

Top 20 items purchased at discount stores by DIYers*

Product	Per cent of DIY consumers
Automatic garage door openers	27.1
Shades/Shutters	23.0
Smoke detector	22.1
Hand saw	19.8
Weather stripping/ Caulk	16.7
Paint brushes/rollers and other supplies	14.8
Power tools (in general)	14.5
Cabinet hardware	14.4
Electric drill	13.7
Varnish/stain	12.9
Hand tools (in general)	12.7
Ceiling fan	12.5
Chain saw	12.4
Hammer	12.2
Screwdriver	12.1
Light switches	12.1
Paneling	11.4
Door locks	11.2
Light fixtures	11.0
Adjustable wrench	10.6

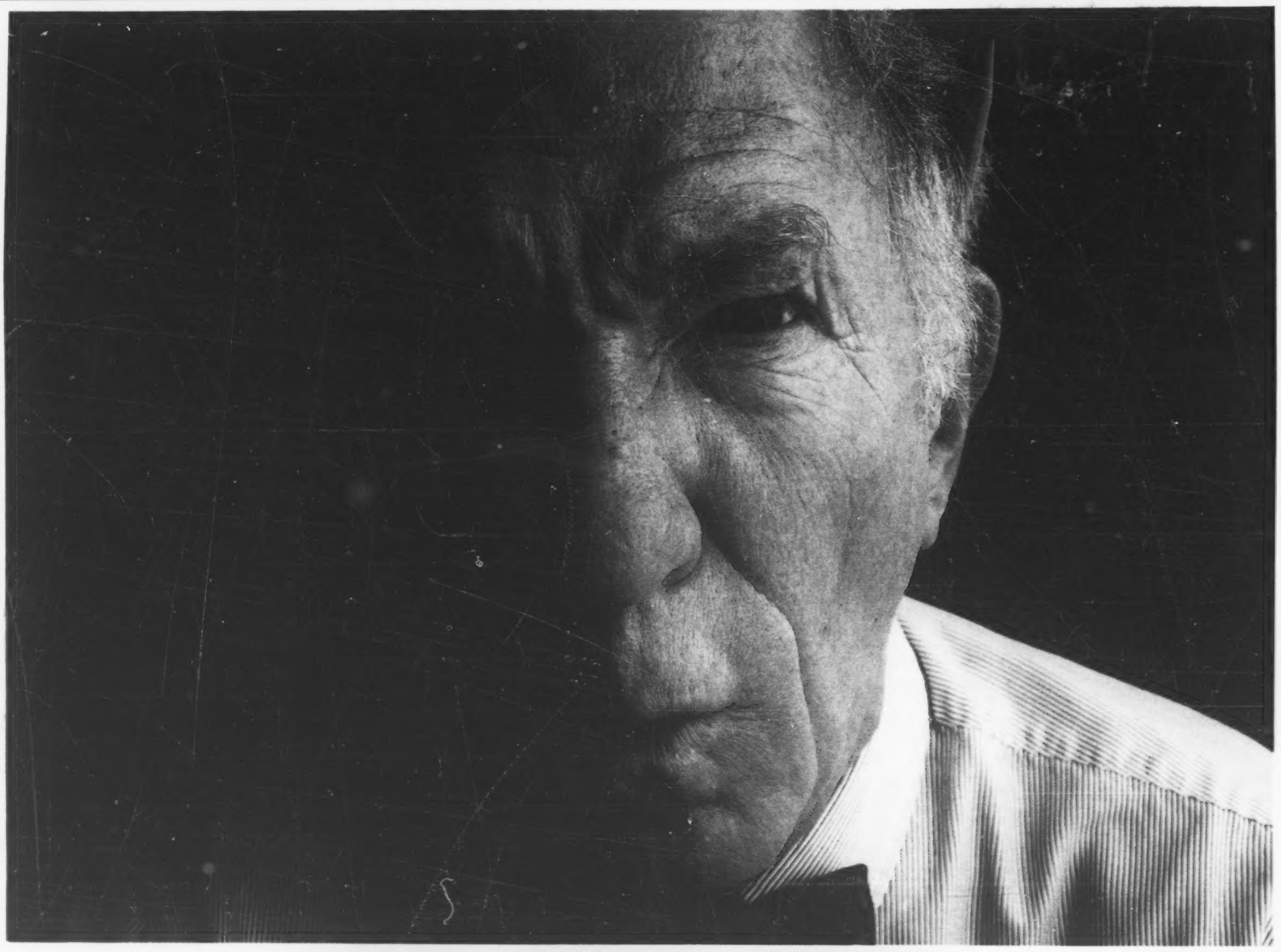
*By level of intensity based on telephone interviews with 1,997 consumers in 1982

Source: Do-It-Yourself Research Institute, 1982 Baseline Survey of the DIY Consumer

What DIYers bought and where in 1982

What DIYers bought: Product category (individual products)	How many bought items: Per cent of DIYers buying in past 12 months	Where DIYers bought the items: Per cent of unit purchases among DIY buyers, by outlet type* — Hardware stores	Home Centers**	L/BM outlets	Sears, Penney, Ward	Discount stores	Specialty stores	Nonretail Direct mail Garage sale Flea market
HARDWARE Fasteners	50.3	23.5	36.2	22.8	2.8	7.3	1.0	0.9
Weatherstripping/Caulking	43.0	19.7	37.2	9.6	5.0	16.7	3.4	2.9
Door Locks	28.2	20.4	21.9	13.5	7.2	11.2	12.1	8.1
Smoke Detectors	21.6	4.3	8.2	0.5	14.6	22.1	3.7	29.9
Window Screens	20.5	26.3	29.1	11.0	1.7	5.1	6.4	8.9
Cabinet Hardware	8.4	13.9	38.2	7.6	7.6	14.4	9.9	2.9
Automatic Garage Door Opener	4.0	—	22.0	2.7	23.7	27.1	7.9	9.3
HAND TOOLS Screwdriver	25.5	10.8	12.3	1.7	35.9	12.1	7.1	7.1
Hammer	17.1	17.6	13.0	7.3	27.0	12.2	0.9	7.6
Adjustable Wrench	14.1	11.5	17.2	0.9	34.1	10.6	3.4	7.3
Hand Saw	9.9	15.3	14.5	3.8	25.7	19.8	0.7	9.0
POWER TOOLS Electric Drill	12.0	15.2	11.8	0.6	32.2	13.7	3.3	10.7
Electric Circular Saw	9.6	5.9	10.0	3.3	52.3	10.1	2.0	5.7
Electric Sander	6.3	11.0	4.4	1.1	47.3	8.3	4.0	10.9
Chain Saw	3.7	13.5	13.0	—	23.4	12.4	5.5	8.3

*May not total to 100% due to other store types which are not listed.
**As defined by Home Center Institute: # million matured; 8-10,000-ft. selling floor; consumer hours; building materials emphasis.
Source: Do-It-Yourself Research Institute, 1982 Baseline Survey of the DIY consumer.



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Decorative Products

Study analyzes DIY decorative product activity

NEW YORK—More than 8 out of 10 purchasers of interior paint applied it themselves last year; two-thirds of the households that bought paneling spent less than $200 a year on the product; 44% of wallpaper buyers are under 35 years of age vs. 40% of all home improvement product consumers.

These are but a few of the myriad findings contained in an exhaustive eight-volume, 800-plus page study written for Frost & Sullivan from data collected from interviews with more than 15,000 adults in the Simmons Market Research Bureau's annual survey. This is the first time Simmons, an advertising and publishing market research firm, has allowed its information to be analyzed in a format geared to the solution of marketing problems.

The study, possibly the most extensive ever conducted in the home improvement industry, evaluated the characteristics and behavior of decorative product buyers in eight categories: interior paint, exterior paint, wall-to-wall carpeting, indoor/outdoor carpeting, wallpaper, wall paneling, no-wax vinyl sheet goods and no-wax vinyl tiles. Those who reported buying the products during the year prior to the interview period were compared to both those who have purchased any home improvement products and the population at large.

Among the findings, broken down by product type, were:

- Wall-to-wall carpeting was a DIY purchase for a surprisingly high 38% of purchasers, who differed from the product group as a whole by being younger, less well educated and having lower incomes. They perceived themselves as less "economy minded" than purchasers who hire professional installers, despite the wide disparity between the cost of professional installation ($796) and doing the project oneself ($357).
- Among those surveyed, purchasers of indoor/outdoor carpeting were considerably older and had higher incomes than most home improvement product buyers, although it was the youthful minority in this group which was more likely to do it themselves than the older majority, the study said. However, this product category ranked lowest out of the eight decorative products evaluated, with only 2.5% of all adults 18 years and above having bought indoor/outdoor carpeting over the designated time period.
- Over 40% of all home improvement buyers purchased interior paint during this period, and the product made up the highest percentage of the 18 and over group (31.3%) that purchased the product within the survey's time frame. Over 49.9 million adults bought interior paint, and 81.8% of them applied it to their homes themselves. However, the study pointed out that nearly a quarter of those purchases were made from Sears, Roebuck, while specialty paint stores accounted for about 33% of total purchases among those surveyed. Home centers and hardware stores trailed these two outlet groupings.
- Over a 12-month period, 17% of United States adults bought exterior paint, and the Simmons/Frost & Sullivan study characterized this group as "slightly upscale" from the home improvement product averages, strongly male-oriented and heavily DIY, with 68.8% of those who bought exterior paint applying it themselves. The survey also noted that while latex paint still dominated the product category, 27% of the survey's participants bought some oil-based paint and a remarkable 1 out of 5 purchased stain.
- Wallpaper purchasers, like those of wall-to-wall carpeting, are younger than the home improvement product consumer universe, but more affluent. This group is also more heavily represented by female consumers than the other seven. Wallpaper as a category ranked third behind exterior and interior paint as the most-purchased decorative product among those adults polled.

However, it also ranked lowest among the six product groups in average DIY dollars spent per job ($101) and non-DIYer expenditures ($245). The study indicated that wallpaper purchases were generally small, with two-thirds of the estimated 19.6 million adults who bought the product spending less than $100 per year. Fewer than 3% of all purchasers bought more than $500 in wallpaper. The study suggested that shopping habits within this product group might offer "untapped marketing opportunities for brand-building."

This product category also seems to be losing its appeal among home center retailers (see related story, page 1).

- Home center retailers were also finding that lower-priced wall paneling, in lighter shades, was currently showing strong sales; but while the study found that two-thirds of households that bought paneling spent less than $200 a year on the product, the bigger-spending third accounted for more than half of total expenditures.
- Another solidly "middle class" product group was no-wax sheet vinyl, which tended to attract consumers in the family-formation period of their lives. The consumer profile within this product group coincides closely to what many home center retailers see as their target shopper, according to the study, and, as with wall-to-wall carpeting, DIY levels for sheet vinyl (38.8%) were thought to be surprisingly high.

A similar consumer attitude study, conducted for *NHCN* last year by the National Assn. of Home Builders and culled from 900 respondents, found the "typical" DIY customer of all home improvement products that might be targeted by dealers to be a 34-55-year-old professional who had lived in his home for over 10 years, had a wife and children and a household income exceeding $25,000 (*NHCN*, July 5, 1982).

- Strangely, no-wax floor tiles did not enjoy the same kind of DIY consumer activity as sheet vinyl. Only 58% of the 4.3 million adults estimated to have bought the tiles installed the product themselves, which the study called "surprisingly" because the product was designed specifically for DIY application by manufacturers.

The Simmons/Frost & Sullivan Decorative Products Consumer Profile Report analyzed buyers in relation to the United States population as well as the population of all home improvement buyers and the DIY consumer in terms of sex, employment status, occupation, wage earners in household, home ownership, value and length of residence, age, education, income, region, location, credit card possession, sports participation, Yellow Page usage, media exposure and leisure activities.

Of the 15,029 adults contacted during the interview period, which ended Aug. 20, 1981, over 11,000 histories were obtained from a nationally projectable sample of the population aged 18 years and over, living in the contiguous 48 states.

The dollar amounts spent on each product category were analyzed by region, locale and residence value. Purchasing patterns were explored two ways: respondents self-characterized shopping traits and cross-purchasing behavior among home improvement products. The interior and exterior paint studies also analyzed buyer demographics by brand, where the paint was bought and type (i.e., latex, oil or stain).

The paint studies may be purchased for $675 each, or $1,000 for the pair. The other six volumes are priced at $475 each, and may be obtained by contacting Customer Service, Frost & Sullivan, 106 Fulton St., New York, N.Y. 10038, or phone 212-233-1080.

DIY Decorative Product Activity

Decorative Product	Thousands of U.S. adults who purchased the product in past 12 months (per cent of all adults, 18 & over)	Per cent of those who install the product themselves*	Dollars DIYers spent for product	Dollars non-DIYers spent for product plus labor
No-wax vinyl tile	5,624 (3.5%)	38.8%	$185	$460
No-wax floor tile	4,263 (2.7%)	57.9	150	335
Wall-to-wall carpeting	18,078 (11.3%)	37.7	357	796
Indoor/outdoor carpeting	3,981 (2.5%)	46.4	128	439
Wall paneling	8,254 (5.2%)	63.8	222	445
Interior paint	49,928 (31.3%)	81.8	NA	NA
Exterior paint	26,846 (16.8%)	68.8	NA	NA
Wallpaper	19,613 (12.3%)	67.3	101	245

*Includes those who did part, or all of the work themselves, or who had someone in their household do the work
NA—Not available
Source: Simmons/Frost & Sullivan; *NHCN* chart

More than 15,000 United States adults were questioned about their home decor buying preferences in an extensive study written for Frost & Sullivan from Simmons Market Research Bureau data. Interior and exterior paint continue to be the most frequently purchased home decor products, and the study showed that both were bought heavily by DIY consumers.

Home decor departments

(Continued from page 41)

Their sales increased by 10% in 1982. However, buyer Dave Smith was not all that convinced that the development of a "home decor" department was essential to effectively service customers.

"Some of the products do require more service, but it's more a merchandising and buying problem," he said. "The department's products are so trendy, with styles and colors changing every couple of months sometimes, that you have to keep on top of your stock and update it constantly."

Busy Beaver is one of the few chains that have shown any success at all in selling wallpaper, which it started stocking two years ago. "We have about 24 running feet, plus another 8 ft. for special order books, and our sales increased 30% last year," said Smith. "Wallpaper is just now starting to show some signs of being a profitable product in the department." He could not decide whether grouping wallpaper with other decor products was the reason for its sales growth in 1982.

The 12-unit Hugh M. Woods, Denver, also promotes decorative products as a home decor grouping in its year-round advertising, but it maintains no designated home decor department.

"We like to keep the products within eyeshot of each other, and it's important to place them as close to the paint department—which is the biggest traffic draw—as possible," said company president Randy Woods. "But naming a department 'home decor' does not break down the products specifically enough for most customers."

Woods also noted that some products—such as knock-down furniture, Louvre shutters and decorative hardware—can fall into two or three product classifications, and customers might become confused if they look for specific products only in one section of the store.

"The secret is really getting as many of these products together, not in what you call the department," Woods said. "Once you succeed in getting the customer into the general area, unless he's completely useless, he can follow the subsigning in each aisle, or ask a salesperson for assistance. I really don't think calling a department 'home decor' is going to mean that much."

The 10-unit Chase-Pitkin, Rochester, N.Y., has experimented with a home decor department in three of its units, primarily to facilitate the more efficient "updating" of product lines and to offer consumers a stronger, more cohesive selection of goods, according to chain president Steve Underwood.

He noted, though, that the chain has only increased the floor space devoted to home decor products by 10%, and questioned whether the further development of such a department chainwide would need a higher service level than others in the stores.

"Home decor certainly is less self-service than other departments," he conceded, "but I don't know whether it requires any more sales help than some building materials. Both need a salesperson to write up the order, and both need a salesperson to make the cross-merchandising sale. Aside from that, I don't see home decor products being much different from the other items we stock."

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Scotty's president Ray Cooney, left, and executive vice president Dennis Stults, right, look on as three Florida mayors cut the ceremonial 2x4 (guilded in gold for the occasion) commemorating the opening of the chain's Greenacres City, Fla., store—it 100th unit. Doing the sawing are (l.-r.) Dennis Wardlow of Key West, James Quigley of Greenacres City and Vince Whibbs of Pensacola. The out-of-town mayors were invited to symbolize Scotty's coverage of the state. For more news of home center companies making or planning to make building additions or changes, see New Stores column, page 29.

DIY plumbing market forecast:

Plastic fittings to lead expansion

CLEVELAND—The DIY plumbing market, which has tripled over the past 15 years, will continue to be a "major growth sector," and account for $7 billion in retail fixture sales in 1995.

The total United States market for plumbing fixtures and fittings is projected to exceed $10 billion at cost that year, a threefold increase from the 1981 total of $3 billion, according to a new study from Predicasts Inc., the market research firm here, entitled "Plumbing Fixtures and Fittings."

The study's author, John Wimberly, targeted high repair costs and the growing popularity of lighter weight, easy to install replacement parts as factors behind this projected expansion. Plastic fittings and fixtures will show the fastest growth, said the study, because of their lower cost, labor-saving installation and maintenance-free features.

However, the study also conceded that the growth of the plumbing market will be fueled also by inflation, as price hikes and raw material supply problems boost manufacturing costs. But unit shipments of fixtures such as sinks, showers and tubs were predicted to draw near 38 million in 1995.

Plastic fixture sales will grow over 4% per year to more than 7.8 million units sold in 1995, up from the 3.2 million shipped in 1981. And stainless steel unit sales will grow to 5.3 million in 1995, a 66% jump from the 1981 figures of 3.2 million units.

U.S. plumbing fixtures and fittings outlook

Unit sales by market (in thousands)	1981	1995	Annual per cent growth 1981-1985	Annual per cent growth 1985-1995
New housing	9,801	16,270	11.4%	1.0%
Replacement & repair	12,642	18,185	4.4	1.9
Commercial	2,198	3,510	6.0	2.5
TOTAL FIXTURES	24,641	37,965	7.5	1.5
Avg. cost per fixture	$71.20	$168.00	7.5	5.8
TOTAL SALES (in millions)	$2,944.3	$10,810	16.1	7.3
DIY retail sales (in millions)	$1,922.2	$7,380	10.9	9.8
DIY mfg. sales	$961.1	$3,690	10.9	9.8

Source: Predicasts Inc., Cleveland, Ohio; *NHCN* chart

A new study predicts the continued growth of the DIY plumbing market in the United States through 1995.

Z & L drops floor tiles

PITTSBURGH—Z & L Lumber is eliminating vinyl asbestos floor tile from its flooring department, and adding sheet vinyl in a move to fight off the inroads made by local specialty flooring stores.

The product, which has been phased out over the last few months, was doing "so poorly I'd be embarrassed to tell you," said Ron Kregiel, purchasing agent for the six-unit chain. The tiles have been consolidated to one store, where they have been marked down by 25%.

Kregiel pointed to competition from specialty flooring stores as the main factor in the elimination of the tiles. The chain had been stocking GAF tiles.

"They [the specialty outlets] buy by containers, and I could too, but we don't enjoy the volume to justify it," said Kregiel. He added that he expects a more equalized situation with the new line of sheet vinyl which Z & L will probably introduce in March.

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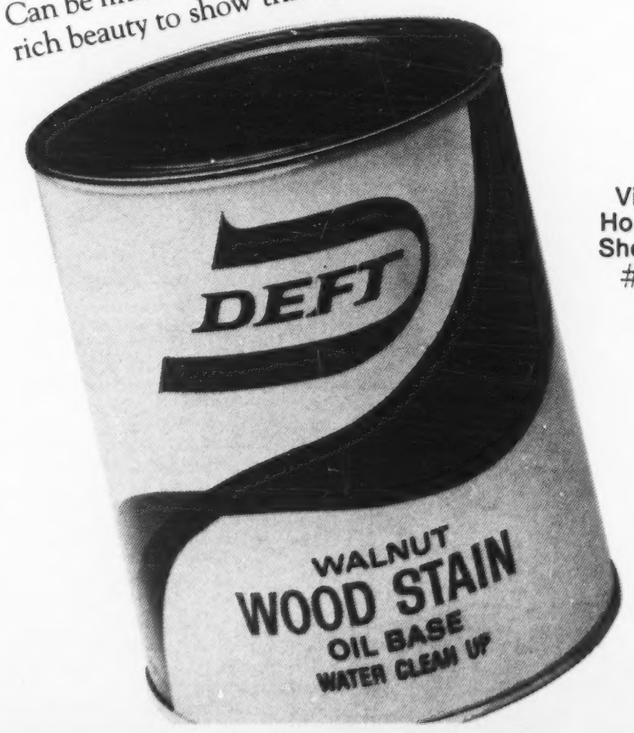

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Home Center Perspectives '83—p. 21

National
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Vol. 9, No. 5 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. February 28, 1983

Home Depot unleashes Sunbelt expansion blitz

Battlelines drawn in Orlando area

By Wyatt Kash
NHCN editor

ORLANDO—Lori Larntz stared out her office window in the Food World store here on East Colonial Drive at the crowds outside in disbelief:

"I've lived here 12 years and I've never seen anything like it," she said.

Ever since the late J. M. Field department store chain closed its doors here five years ago, this has been a sleepy little four-store shopping plaza, according to Larntz, an office cashier.

Then suddenly late last month, with the grand opening of the 70,000-sq.-ft. Home Depot in the old Field store—one of two debuting in Orlando that day—the parking lot was exploding with cars.

Down on the macadam, two local policemen were doing their best to keep traffic mov-

(Continued on page 87)

Home Depot has thrown down the gauntlet against Florida home center king Scotty's with its two-store Orlando opening promotion offering 20% off Scotty's catalog prices.

Illustration from Home Depot circular

Next target: New Orleans

NEW ORLEANS—Home Depot announced it will open two new outlets here within the next four months—a move that marks the chain's first real expansion drive outside its Atlanta and Florida markets.

Company officials, in a separate report, also revealed plans to open a 70,000-sq.-ft. store in North Miami Beach—the chain's fifth store in the Greater Miami Area—scheduled to be on stream by the summer.

The new outlets here will occupy 70,000- to 80,000-sq.-ft. portions of two former Woolco stores, according to Bernard Marcus, Home Depot chairman. One of the locations, at 62 West Bank Expressway in Gretna, La., was one of Woolco's most profitable outlets prior to the chain's being closed down last year, according to a report appearing in *The Times*

(Continued on page 130)

Wickes unveils plans for early rise from Ch. XI

By Kenneth Schept
NHCN senior editor

SANTA MONICA, Calif.—Wickes Cos. early this month presented its creditors with a 250-page proposal to be used as a framework for negotiations in structuring final reorganization plans that could be ready by mid-1984—far sooner than most industry observers expected.

It took Wickes only 10 months to develop this preliminary reorganization proposal. With $4 billion in sales and $1.6 billion in debt when it filed for Chapter XI protection on April 24, 1982, Wickes is probably the largest and most complicated bankruptcy to be considered under the current code.

The unusual speed was a deliberate attempt to control the substantial costs of bankruptcy proceedings. The company is prepared to continue this pace by negotiating simultaneously with each of its four creditor committees, although that could produce several separate plans, according to Jeff Chanin, senior vice president.

To cope with the demands of this new stage of the bankruptcy proceeding Wickes is now undergoing an internal restructuring of executive responsibilities and also forming negotiating teams.

"We have to organize ourselves to deal with the problem of how to set up a reorganization plan, operate a business and improve the operation, all at the same time," Chanin said.

While the proposal that creditors received when they met in Los Angeles three weeks ago is considered confidential, it has become clear the new Wickes that emerges from reorganization will probably be similar in character to the old Wickes, but different in appearance.

The conglomerate will have operations in the same basic industries—merchandising, manufacturing and financial services—but there will be many fewer companies. Several major operations have been divested since the Chapter XI filing and five more, with combined annual sales of $108 million, were put up for sale this month.

Chanin said that these moves represented the main changes that will be made in the reformation of Wickes, but he did not rule out the possibility of future divestitures.

"We will be in the DIY busi-

(Continued on page 130)

Hechinger speeds up growth program

LANDOVER, Md.—Hechinger has accelerated its store expansion program, with plans now to open seven new stores this year (instead of five, as previously announced), and seven more in 1984.

The new stores are expected to solidify the 34-store chain's hold in its existing markets of Washington, Baltimore and Philadelphia as well as support its most recent move southward into North Carolina.

To fund the expansion, Hechinger officials are selling 600,000 additional common shares, a 4% increase over the 13.9 million shares already outstanding. In addition, trusts and partnerships controlled by the families of president John Hechinger and chairman Richard England are marketing 675,000 of their shares.

In another development, the company has reorganized a middle management level by renaming its four merchandisers as merchandise managers. The move came after Roy Chappelle, a merchandiser of tools, hardware, decoratives and building materials, left the company to pursue other business interests.

In addition to its first quarter opening in Winston-Salem, N.C., and two openings in Charlotte, N.C., Hechinger will debut its first outlet in Durham, N.C., this year. The company has also announced its intentions to locate in the Greensboro, N.C., market.

Officials also will open their fourth store in the Philadelphia

(Continued on page 130)

NEWSBREAKS

PENNEY DROPS PAINT, HARD LINES. J. C. Penney is eliminating its in-store offering of paint, tools, hardware, lawn and garden and automotive products, along with major appliances, in a move to rebuild its soft lines image. The items, currently in 450 of the 1,600-unit chain's large-to-medium size stores, are expected to be sold off by the end of the year, but will remain available through the New York-based, $11.4 billion retailer's catalog.

FROM DIXIELINE TO DIXIE. Jim Inglis, merchandising vp at Dixieline Lumber, San Diego, Calif., has accepted a senior merchandising position with Atlanta-based Home Depot.

INSIDE:

KEROSENE HEATER MAKERS take the wraps off a new point-of-sale consumer-education campaign ..... Page 92
HOW COMPUTERS HELP boost profits at two lumber operations is explored ..... Pages 100-104

A sign on the wall paneling display at an Orlando, Fla., Handy City promoting the chain's installed sales program is indicative of the growing industrywide effort to capture sales from homeowners who would rather "buy-it-themselves" than install it themselves. The story, pages 114-115, is just one of the home center operating strategies explored in this issue's special section, entitled "Home Center Perspectives '83," beginning on page 21.

NHCNews Briefs

Industry Update

Handy City shutters 3 Fla. stores

TAMPA, Fla.—W. R. Grace's Handy City chain is closing three of its outlets in southwestern Florida over the next several weeks and opening two others, according to Handy City officials.

Two of the stores to be closed are located in Tampa, a market with seven Scotty's stores and an equal number of Lindsley outlets. The third store to be closed is located in Holiday, Fla.

Handy City now operates only two outlets in Tampa, but W. R. Grace officials declined to comment on whether or not Handy City would be abandoning the Tampa market permanently. They did say the Tampa stores along with the Holiday store are to be "relocated" in Sarasota and Orlando.

One of the stores will be replaced by a 50,000-sq.-ft. ex-Woolco site in Sarasota, and one will open in a new site in Orlando. Handy City declined to say when the store would close, and when the new stores would open.

The addition of a new Handy City outlet to Orlando will bring to five the number of outlets the chain has located in that city.

Home Depot listed under NASDAQ

NEW YORK—Home Depot stock watchers probably had trouble finding the company's trading quotations earlier this month in the Over-the-Counter market's national list.

Some analysts speculated that Home Depot stock, being so hard to come by lately, might have been temporarily pulled from the list. Actually, the company was transferred to a new national market system established by the National Association of Securities Dealers Inc. last April.

Home Depot was one of 100 companies added to the NASDAQ National Market System during the week of Feb. 7, because it met certain minimum asset and trading activity thresholds.

Allyn O'Connor, an NASD analyst in Washington, D.C., said the new system is designed to make OTC more competitive with stock exchanges by providing quotations on high and low share prices. O'Connor said the system also enables price and volume data on sales to be computer disseminated within 90 seconds of each transaction.

Hines nets $6 mil. in sawmill sale

CHICAGO—The Edward Hines Lumber Co. says it will net about $6 million from the sale of three sawmills located in the Rocky Mountain area.

In a Feb. 3 letter to company stockholders, president and ceo Edward Hines said the mills have been sold to the Louisiana-Pacific Corp. in accordance with plans to divest the lumber firm of its manufacturing operations and to put greater emphasis on its DIY and wholesale businesses. Details of the transaction and its terms were not released, however.

The Hines company previously had sold off two of its three Southern sawmills. Plans to divest other manufacturing facilities will be unveiled late next month in an annual report.

The three mills, located in Saratoga, Wyo., and Kremmling and Walden, Colo., will become part of Louisiana-Pacific's Intermountain division. Division gm Sherman E. Kirchmeier said the mills will provide his company access to some 55 million board feet of lodgepole and Engelmann spruce each year.

The L-P Intermountain division already operates 16 sawmills and a particle board plant in five western states. Kirchmeier said the new mills, now earmarked for modernization, will serve lumber markets in Denver, Dallas, Houston, Albuquerque and Phoenix.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $20 a year ($21 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Thomas Industries regional insert, pp. 64A, B

Vol. 9, No. 5 February 28, 1983

Crown Zellerbach's U.S. parent sells Canadian home centers

By Greg Puchalski
NHCN senior editor

CALGARY, Alberta—Officials at Crown Zellerbach Stores here are hoping that the sale of its United States parent's Canadian holdings including its home centers, completed last month, will mean continued expansion for the chain.

"We expect expansion to continue," related Bob Molle, general manager of Crown Zellerbach Stores, which operates 32 units in western Canada under the HomeTown and CrownMart names, "but there has been no definite word."

Crown Zellerbach, San Francisco, announced last month that it had signed definitive agreements with Fletcher Challenge Ltd. of New Zealand to sell its 84% interest in Crown Zellerbach Canada, including its stores, and its 100% interest in Norsk Pacific Steamship Co., the Bahamas, to Fletcher Challenge.

Still in doubt

Completion of the transaction, valued at about $242 million, was awaiting approval from the Canadian Foreign Investment Review Agency and by the Provincial Government of British Columbia.

Fletcher Challenge operates 58 home centers in New Zealand, Molle said, as well as having substantial interests in the paper and forest products.

"Coincidentally, they [Fletcher Challenge] made a trip here three or four years ago and while they had nothing in mind [about purchasing] back then, they were quite impressed with the stores," Molle said.

There are nine consumer-oriented HomeTown units, including four in Calgary, three in Vancouver, one in Edmonton and one in Regina, Saskatchewan; all averaging 50,000 sq. ft. Crown Mart includes 23 contractor and farm-oriented outlets averaging about 5,000 sq. ft. in Alberta and Saskatch-

(Continued on page 130)

Former discounter Kossar joins Grace in sr. vp spot

NEW YORK—Bernard Kossar, a former consultant to the chairman of the board of the A&P Co., joined W. R. Grace's $1 billion retail group as senior vice president of marketing earlier this month.

Bernard Kossar

Kossar's newly created position will span all of Grace's retail operations. He will work with Frank Denny, president of the home center division and report to the same boss, Edward H. Tutun, Grace executive vp and group executive for retail.

Kossar has not yet seen the entire retail operation of W. R. Grace, but is embarking on a tour of the home centers and other W. R. Grace stores.

Kossar's previous retail experience includes being president of Vornado from 1978 to 1980, and chief operating officer of Cornwall Equities from 1965 to 1978. He was also president and ceo of Cornwall's Franklin Stores and Barkers divisions.

Quarter up, year down in home sales

WASHINGTON—Sales of existing single-family homes advanced for the fourth consecutive month in December, rising 2.8% to a seasonally adjusted rate of 2.18 million units.

Sales statistics, announced by the National Assn. of Realtors, showed activity at a rate 20% higher than that reported at midyear. The year-end improvement was not enough to prevent 1982 from becoming the worst year for existing home sales in more than a decade, however.

Jack Carlson, NAR's chief economist and executive vice president, said 1982 resale transactions totaling 1.94 million units represent a 17.5% drop from 1981. The 1982 figure reflects about half the performance logged during the 1978 peak resale period.

Carlson said recovery has come to the housing industry nonetheless. "Home sales are improving in all regions of the country and the level of resale activity is higher than it was 12 months ago in every region of the country except the West," the NAR official said.

Prices held steady during most of the year. In December, the median sales price of an existing home was $67,500, a figure $200 lower than that of November but 1.4% higher than the median price of two years before.

The largest annual price increases came in the Northeast, where the median home price for December was 5.2% greater than that of a year before. The South experienced a price gain of 2.9% while the north central region reported an increase of 6%.

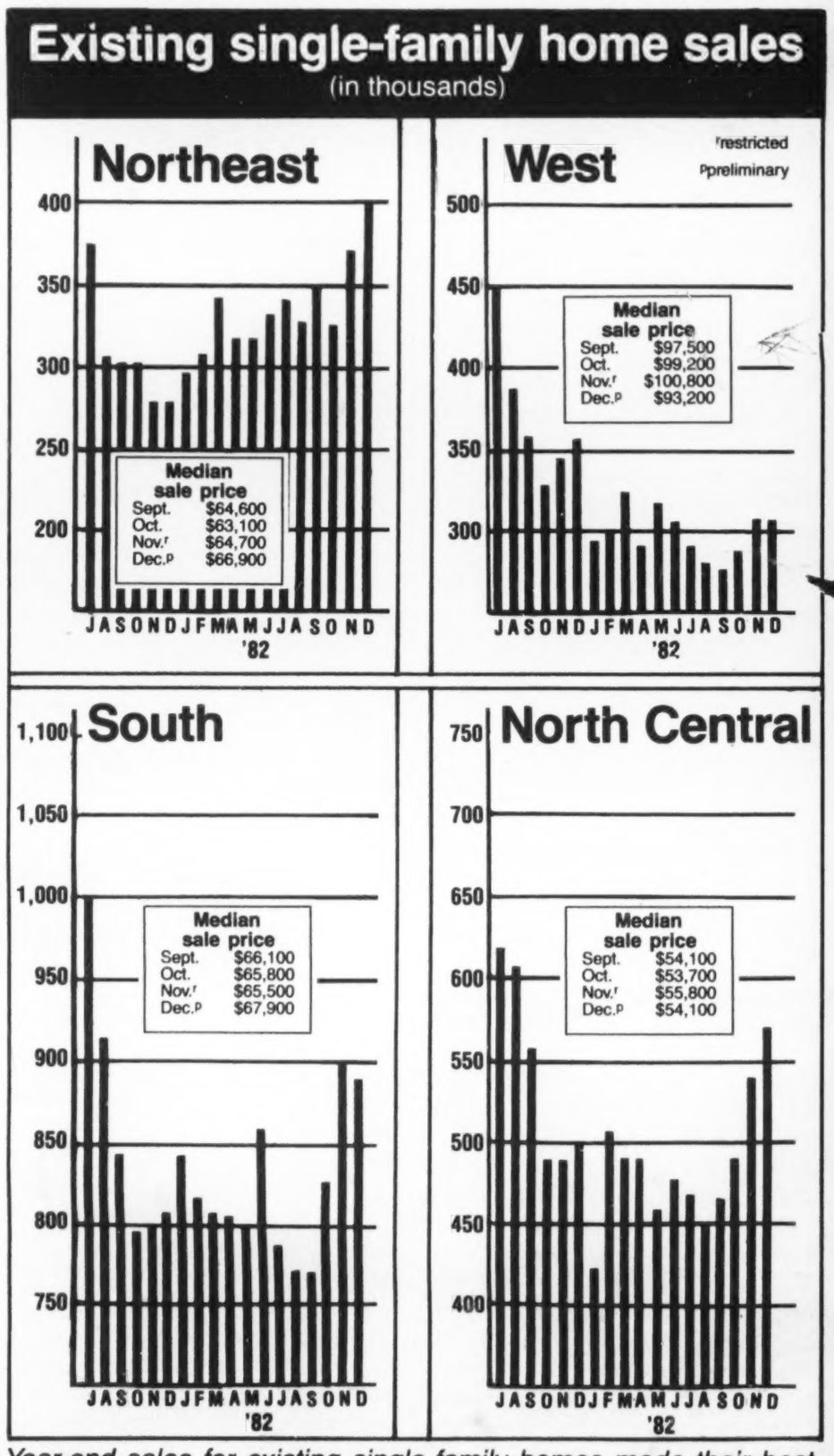
The West, the only region to report a decline, saw a 1% drop in selling prices for the year.

For the third consecutive year, the rate of resale-home appreciation lagged behind consumer price inflation.

Carlson said he expects home prices to remain at "bargain" levels through the spring. "The housing supply is not expected to keep up with increasing demand, and by 1984 home prices are likely to increase faster than overall inflation."

The NAR also released a quarterly state-by-state report showing California as having the most active housing resale market.

Increased resale activity was reported in Louisiana, New Jersey, Maine, Kentucky, Alabama and Pennsylvania.



Year-end sales for existing single-family homes made their best showing in the northeastern United States where activity dropped off by only 0.2%. National unit sales, bolstered by a 2.8% gain in December, finished the year at 1,939,000, a volume 18% lower than that for 1981 and nearly 50% below the 1978 peak.

LUMBER REPORT

Outlook forecasts abundant lumber supplies

WASHINGTON—Doomsday predictions of a chronic shortage of domestic timber products were off the mark, and the consensus among experts now is that the lumber supply will remain adequate to meet demand for years to come, according to the *1983 U.S. Industrial Outlook*, released last month by the U.S. Dept. of Commerce.

Until recently the "conventional wisdom" held that "demand for domestic wood products would rise much faster than available supplies," and that the United States would grow increasingly dependent on far more expensive foreign lumber sources, Commerce Department researchers said.

"Recently a change in thinking has become apparent in the long-term, supply-demand relationships for wood products" and industry experts now believe that "the outlook for domestic timber growth is higher than previously predicted," the annual Government study disclosed.

At the same time, those experts are also revising downward their original projections for demand for wood products in this country, and "as a result, the conventional wisdom forecast of inadequate timber supplies made over the past several decades does not now appear valid," the researchers said.

If anything, domestic producers of wood products may have to increase exports or develop entire new markets for their products in order to maintain their long-term growth trend, the study concluded.

In forecasting abundant future supplies of lumber, plywood and other wood products, the new Federal forecast also predicts a sharp upsurge in production for the United States timber industry this year.

Even after adjusting for inflation, the Commerce Department expects the "real" value of all United States wood product shipments to climb 13% during 1983—a sharp reversal from last year when most segments of the wood products industry were suffering double-digit declines in production.

But this year home center chains may find fewer supply sources because of the almost unprecedented "shake-out" within the domestic lumber and wood products industry.

"The prolonged housing depression that started off this decade has so negatively affected the wood products industries that when recovery comes the industry is likely to be much smaller and more concentrated," Commerce Department market forecasters maintained.

In a further effort to put this year's anticipated rebound in perspective, the study also noted that the expected 13% (after inflation) industrywide growth will still leave total domestic shipments of wood products "only slightly above the depressed shipments level of 1981."

Here's what the new long-range Government forecast predicts for several key segments of the domestic wood products market:

LUMBER—Total shipments figure to rebound smartly during 1983, climbing 14% (after inflation) on the heels of last year's 9% drop. Over the longer haul, the Department expects a "real" annual growth rate of 4.7% (in 1972 dollars) for the next five years, and predicts that total lumber shipments will reach 37.7 billion board feet by 1987—seven billion more than last year's level.

"The demand for lumber will be dependent primarily on the level of residential construction, which is forecast to improve substantially over the next five years as the industry recovers from its cyclical trough," the researchers said.

"Nevertheless, there is growing concern by the housing and wood industry that the longer term growth in the number and size of new houses may be lower than previously projected," and that multifamily houses—which use less lumber per unit than single-family homes—will account for a steadily increasing share of total residential construction.

MILLWORK—The dollar value of shipments of wood doors, frames, windows, moldings and other millwork should jump 17% this year, after adjusting for inflation. This reflects substantial improvement over 1982 when dollar value dropped 11% and unit production fell nearly 14%.

Last year's sharp decline in millwork products would have been even more dramatic but for "a fairly strong remodeling and do-it-yourself improvement and repair" market surge early in 1982, the study said.

The five-year forecast for these products calls for an average annual compound "real" growth rate of 6%.

But even though Government researchers regard the future marketing prospects for millwork to be "encouraging," they said it is questionable whether production of these products will rebound fully to pre-1980 levels.

"To do better," they said, "the industry must gear itself to promote and competitively sell wood-based millwork in order for millwork to avoid further penetration by steel and plastics into almost every area of structural and decorative applications traditionally supplied by wooden millwork."

WOOD PANEL PRODUCTS—Overall shipments of these products figure to increase 12% this year following 1982's 8% after-inflation decline.

Shipments of hardwood veneer and plywood dropped 11% last year to 2.3 billion sq. ft.—a whopping 41% below the 1978 peak of 3.9 billion sq. ft. In the present year the value of shipments (in constant dollars) is expected to climb 9% and total production should reach 2.5 billion sq. ft.

The long-term trend for these products, however, "is likely to be flat," with shipments increasing at a compounded annual rate of only 4.1%, the researchers said. "Long-run stagnation is in store for this industry" as a "result of competition from imports and new products" as well as "the persistent formaldehyde [safety] issue."

Shipments of softwood plywood and veneer declined somewhat less last year (6%) and are expected to rebound by a "real" growth rate of 7% during 1983, the study revealed.

Although this represents a modest "turnaround" for these products, the increase in new residential construction forecast for 1983 is "not enough to portend a major recovery for the softwood plywood industry," the study concluded. "Further, the nonresidential construction market, which helped maintain softwood plywood sales during the prolonged housing recession, is expected to decline in 1983."

A major concern for the industry involves obtaining relief from high-priced Federal timber contracts which were entered into before the abrupt decline in softwood plywood prices triggered by the recent housing recession.

"In some instances, finished plywood prices are much lower than the log costs some firms have contracted to pay," and "if the provisions of those contracts are enforced, many firms may go bankrupt in 1983 since the market improvement forecast for [this] year is not expected to be strong enough to provide the relief necessary to prevent default by some companies," Commerce Department officials maintained.

Through 1987 "real" growth for softwood veneer and plywood products is expected to average only 3.2% annually, they said.

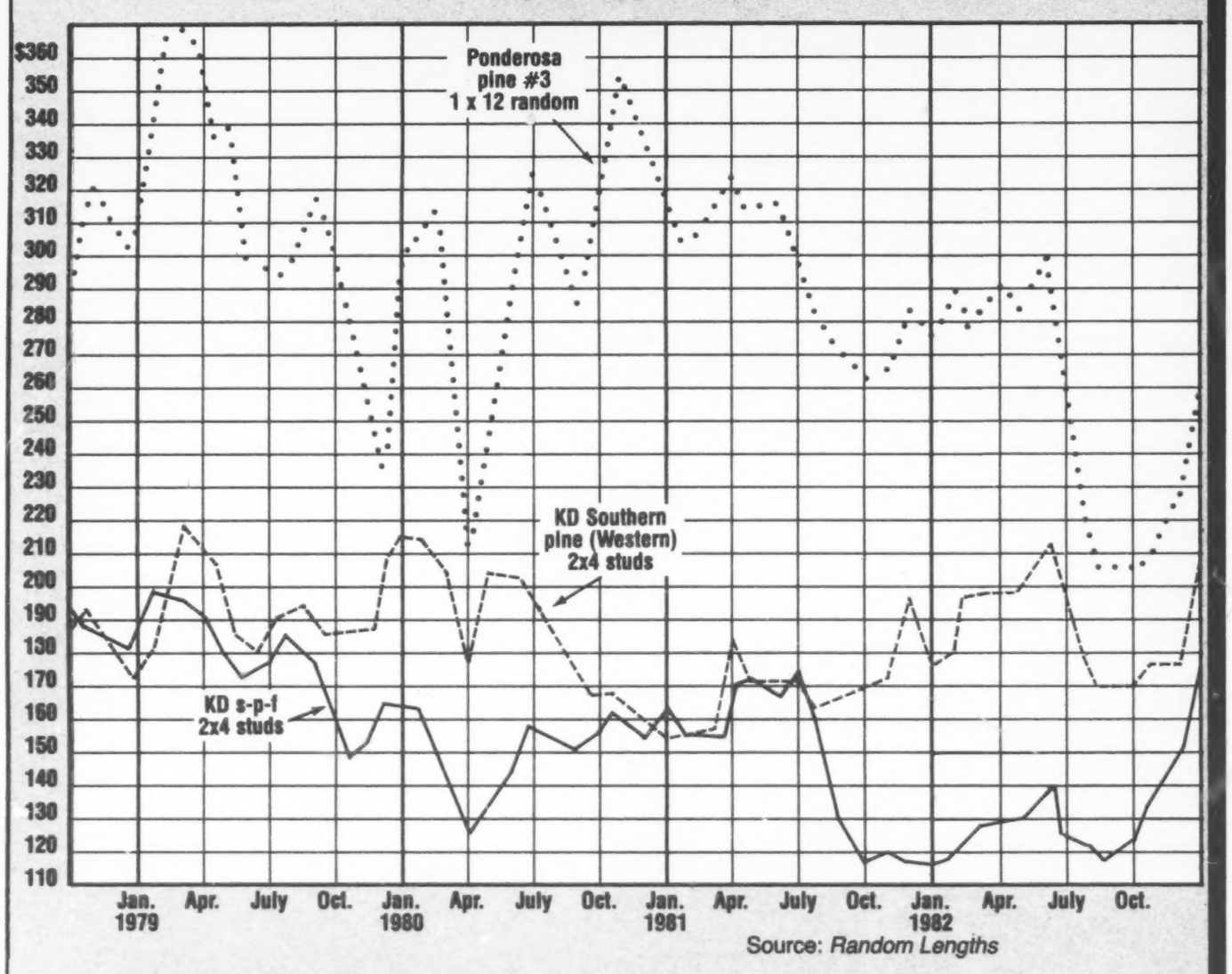
PARTICLEBOARD—The Government researchers anticipate a strong, 18% after-inflation upsurge in particleboard shipments this year following 1982's 19% drop. On the basis of quantity, shipments of particleboard last year fell below 2.4 billion sq. ft.—a drop of 36% from the 1978 record level.

Over the long-term, the study predicts that total shipments could swell to 5 billion sq. ft. by 1987, based on the Government's current projection for an average annual real growth rate of 19% during the next five years.

"Even though the future of the particleboard industry looks bright, some of the optimism has dimmed over the past couple of years," the Federal researchers noted.

Commodity close-up: Studs & boards

Average monthly mill prices



Source: *Random Lengths*

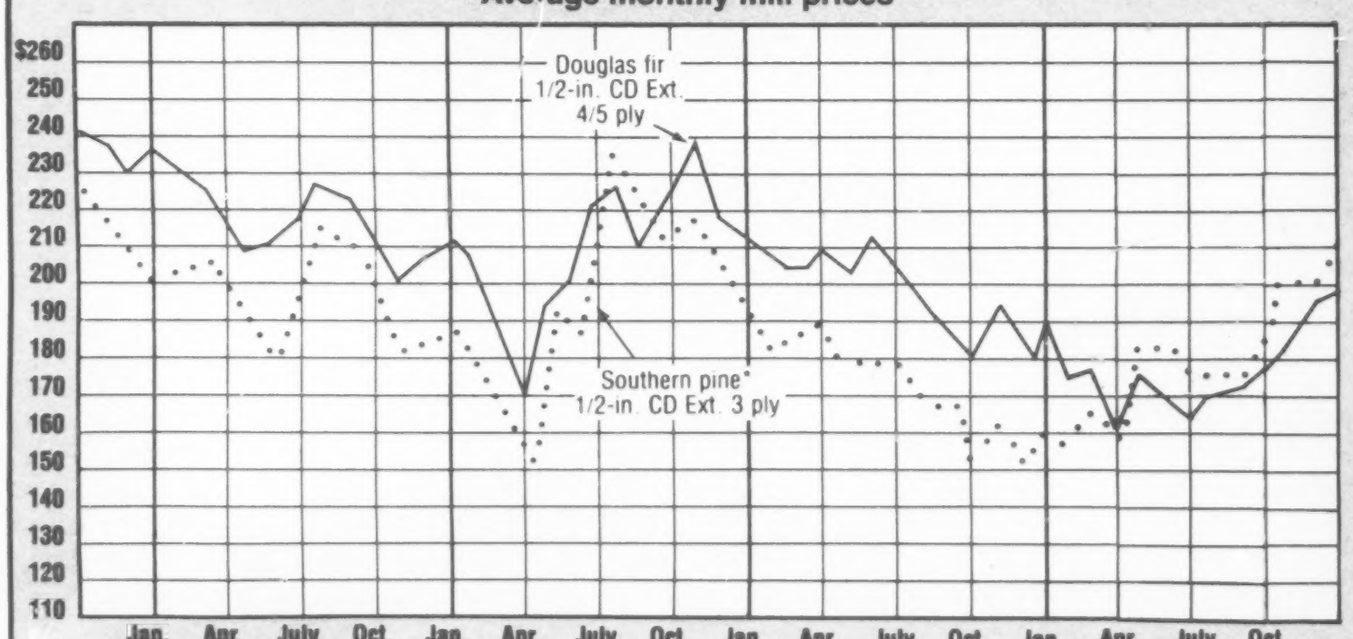
Prices have ended their decline since the fall, with KD s-p-f 2x4 stud prices increasing by about 50% between September and January.

In September a thousand board feet of KD s-p-f was priced at $119. By January the price had strengthened to $178. The most abrupt hike occurred that month, as December prices averaged $151. Prices rose to $123 in October and $134 in November.

Prices for KD Southern pine 2x4 studs rose as follows: October, $170; November, $177; December, $177 and January, $204. Ponderosa pine #3 1x12 increased this way: October, $206; November, $210; December, $227 and January, $257.

Commodity close-up: Western & Southern Plywood

Average monthly mill prices



Source: *Random Lengths*

Plywood prices have rebounded steadily since the fall, although price hikes have been more gradual than in framing lumber, which surged in January.

Douglas fir ½-in. CD Ext. reached a low of $162 per 1,000 sq. ft. last April and prices, with some variation, remained in a trough through the summer.

In September the price for a 1,000 sq. ft. reached $174. In the successive months the prices were: October, $186; November, $200; December, $201, and January, $210.

Southern pine ½-in. CD Ext. reached its lowest point about a year ago with prices in a trough last winter. In January 1982 1,000 sq. ft. sold for $157. This January the price reached $199.

On a month-to-month basis the increase in Southern pine prices were: September, $172; October, $179; November, $182; December, $196, and January, $199.

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Photo merchandising feature:
WINDOWS & DOORS—pp. 17-2

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National
Home Center News ®

Vol. 9, No. 6 | The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. | March 14, 1983

Wickes Lumber shifting target to professionals

Will still pursue 'big ticket' DIYers

DALLAS—**Within the next 30 days Wickes Lumber will begin major remodeling and reformatting in a number of stores specially designated to be consumer-oriented outlets.**

The chain's overall strategy, however, will be to shift its sales emphasis back toward the professional builder and remodeler, while still pursuing the "big ticket" DIYer, *NHCN* learned last week in an exclusive interview with the company's top officials.

The decision reflects Wickes Cos.' strategic decision to retain and develop its building materials retailing and wholesaling companies as a "core" business. After 11 months of diagnosis and emergency surgery, Jeff Chanin, executive vice president, said that Wickes is now moving into a second phase focused on managing and improving the core group of companies.

"We're really changing the battlefield now to Wickes the merchant as opposed to Wickes struggling and ailing," Sanford Sigoloff, Wickes chairman, president and

(Continued on page 61)

Handy Dan-Handy City fused in new Grace central region

SAN ANTONIO—W. R. Grace has consolidated its Handy Dan and Handy City chains into a single, 126-store Central Region.

As of June 1 Handy City's Atlanta headquarters will be closed and the combined operation will be directed from here.

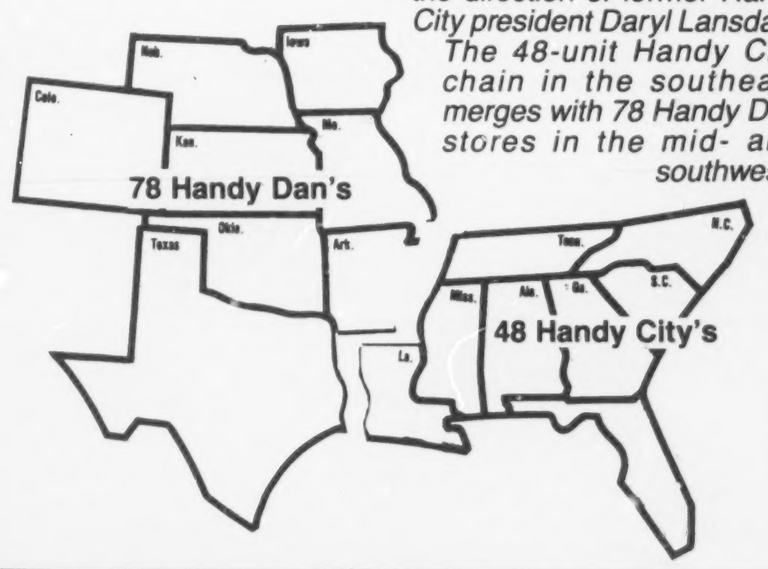
Daryl Lansdale, formerly president of Handy City, has been named to head the new unit. David Saks, who had been president of Handy Dan, retired.

At the same time, *National Home Center News* has learned that Handy City has obtained three Woolco and one Barker discount store sites in New Orleans, its strongest market where its toughest competitor, The Home Depot, plans to open two units in the next four months.

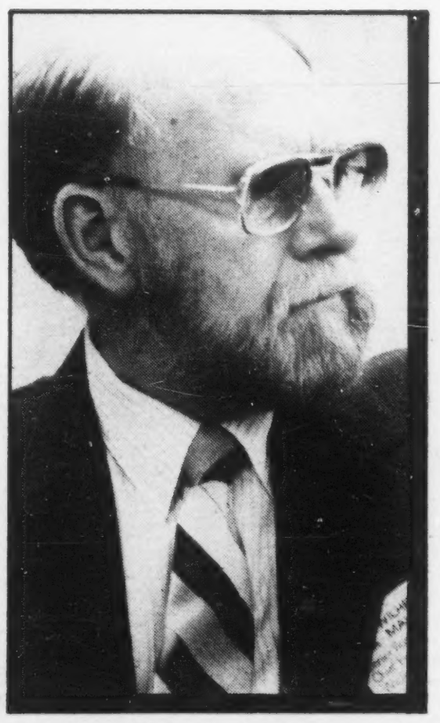
(Continued on page 61)

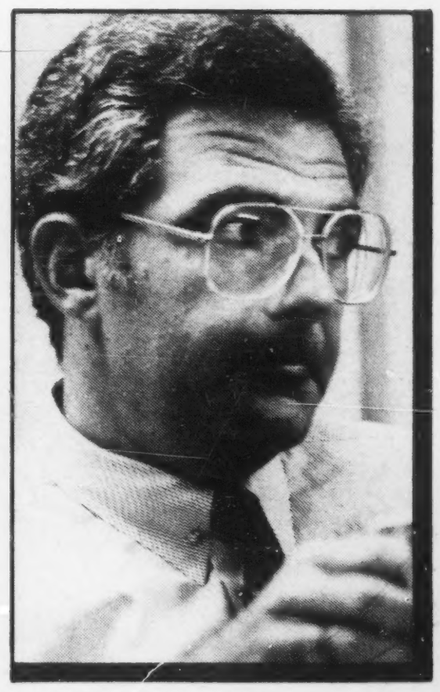
Grace consolidates regions

W. R. Grace has consolidated its southeast and southwest home center operations into one unit under the direction of former Handy City president Daryl Lansdale. The 48-unit Handy City chain in the southeast merges with 78 Handy Dan stores in the mid- and southwest.



Wickes realigns top management positions





Office of the Chairman: (l-r) Mallory-Chanin-Sigoloff triumverate at a Wickes creditors' meeting last year NHCN photo

Wickes Lumber moves to Chicago

SANTA MONICA, Calif.—Wickes Cos. has restructured its top management and announced it is relocating Saginaw, Mich.-based Wickes Lumber and its Minneapolis-based retail operations to Chicago.

An office of the chairman has been established with its responsibilities to be shared by the three-man team of Sanford Sigoloff, chairman and ceo, and Jeffrey Chanin and Wilhelm Mallory.

The changes came only days after the conglomerate presented its creditors with a proposed framework for negotiating reorganization plans (*NHCN* Feb. 28).

Presentation of that framework shifted Wickes into a new phase of its Chapter XI proceeding, which it entered last April. After 10 months under diagnostic scrutiny and the knife, the trauma is under control and the patient is stable.

Now management must simultaneously develop final reorganization plans, operate its businesses and improve overall performance. The rearrangement of executive responsibilities was apparently needed to better cope with those burdens.

"It's been an evolution," said Lawrence Friedman, senior vice president of human resources. "We defined a core group of companies before we defined the organization. Now we can define the organization around the core group of com-

(Continued on page 62)

Regulators withdraw new mower rules

By Laura Woda
Washington correspondent

WASHINGTON—Federal product safety regulators are abandoning plans for a series of "second generation" mandatory power mower safety rules which would have radically altered the design and cost of both "walk-behind" and riding mowers.

The still-tentative Consumer Product Safety Commission decision does not affect "first generation" Federal safety standards which took effect last year. Those "first generation" rules were aimed at preventing "blade contact injuries" to users of walk-behind power mowers.

Those rules—which require power lawn mowers to incorporate a device for stopping blade movement when the handle is released—were, if anything, reinforced by a simultaneous series of C.P.S.C. rejections of industry petitions for modification in the blade standards.

But the commission's latest action does offer power lawn equipment manufacturers the prospect of relief from a series of additional mandatory safety requirements for mowers which had been proposed during the Carter Administration.

Specifically, C.P.S.C. officials announced plans to withdraw additional standards governing thrown objects by mower blades, fuel ignition dangers associated with gasoline powered models, shock hazards from electric lawn mowers, and a series of other risks from self-propelled riding mowers.

"The proposed withdrawal of the thrown objects requirements is based on information showing that the lawn mower industry is developing a voluntary standard similar to the one proposed by the commission," Federal product safety regulators explained.

Under the commission's proposed standard, lawn mowers would have to pass a performance test intended to evaluate the manner in which a particu-

(Continued on page 61)

NEWSBREAKS

SCOTTS ON THE TUBE. The Linthicum, Md.-based chain will begin advertising on television in the Washington and Baltimore markets this year. Scotts' first TV ad ran on Washington's birthday, Feb. 21, and, according to chain president Earl Halterman, commercials for the chain will appear on three stations at regular intervals in each of the markets.

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NHCNews Briefs

Industry Update

Lampert eying new plan booklet

ST. PAUL—Lampert Lumber here is in the research stage of developing a centralized and consolidated home building plan book program that is expected to be carried chainwide by this fall.

Over the past two years each of the chain's 38 units has been purchasing individually instruction books for consumer construction of homes.

According to Charles Borg, manager-packaging building systems, the new home plan that the chain is looking to develop would go beyond those programs and booklets being offered by such agencies as The National Planning Service and, locally, The Small House Plan Bureau.

"I'm not knocking those plans," said Borg, "but they generally don't keep up with current trends," pointing specifically to "super-insulated" homes that were being promoted heavily in the St. Paul market.

Penney to eliminate hard lines

NEW YORK—The J. C. Penney Co. says it has no definitive schedule for the elimination of hard line product and appliance departments that grossed $200 million last year.

Penney spokesman Duncan Muir, while announcing plans to lease 300 freestanding auto centers to the Firestone Tire & Rubber Co., said he could only predict that those product lines targeted for elimination will be dropped by the end of the year.

Early last month, Penney chose to initiate a program that will expand its emphasis on soft lines such as clothing, home furnishings and leisure merchandise. The company, as a matter of course, has placed its hardware, paint, tools, lawn and garden, and major appliance departments on the chopping block.

Muir said the 1,600-store chain entered the hard line and automotive spectrum during the late 1960's. Now carried in 450 large- to medium-sized stores, the products apparently began to show losses a few years ago.

William Westerfield, chairman of Price Waterhouse's retail industry division, said he believes Penney officials simply were not seeing the gross margin return on inventory investments needed to continue with the departments. "If you're only breaking even," the analyst said, "you might consider putting your inventory investments in a money market and perhaps service some short-term debts."

Muir said annual sales figures for each department faced with elimination were not available. However, Penney reported losing about $9 million on the 434 auto centers it operated last year. The centers, which grossed $433 million in 1982, had lost an additional $6 million the year before.

All but 29 of the remaining 134 auto centers will be converted either to in-store floor or storage space. The last segment is expected to be sold or leased to other parties.

Muir said Penney will continue to sell hard line products through its consumer catalog service. "The catalog has always been successful among people who don't live near a Penney store," the spokesman continued.

Sigoloff films two new BE spots

SANTA MONICA, Calif.—Wickes' chief executive Sanford C. Sigoloff has filmed two new Builders Emporium commercials as part of a "customer appreciation" promotion which began Feb. 13.

The 30-second spots show a smiling, relaxed Sigoloff telling viewers that BE is giving away 120 roundtrip tickets to anywhere Western Airlines flies. He says, "When it comes to doing things for our customers, well, the sky's the limit."

In two earlier BE spots aired last fall in the California markets served by the 60-unit chain, Sigoloff appeared serious and unsmiling to emphasize that the company "meant business," a spokesman said.

The spokesman declined to disclose the budget of the campaign, which includes broadcast, print and POP advertising. Sigoloff also has filmed a commercial for another Wickes division, Wickes Furniture.

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National Home Center News (ISSN 0192-6772) is published biweekly every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $20 a year ($21 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 9, No. 6 March 14, 1983

Peavey consolidates buying as streamlining turns on profits

MINNEAPOLIS—Peavey has consolidated buying for its three building supply operations that serve the upper Midwest.

The action, which became effective Feb. 1, took place shortly after Howard Jones took over as general manager of the entire Peavey building supply division.

He had been gm of Peavey Building Supplies and Peavey/Thunderbird Home Centers. His new position gives him responsibility for Fish Building Supplies Centers as well.

The changes at Peavey, a $734 million conglomerate, follow a year when its building supply stores were thinned in number from 52 to 34, as unprofitable units were closed and many that remained open were remerchandised (*NHCN*, Jan. 18, 1982).

"What we have accomplished is we've streamlined our expenses drastically to the point where we're now profitable," said Jones, who joined Peavey from Williams Bros., Atlanta, 13 months ago and also worked for Hoppe Lumber, Lincoln, Neb.

While sales and income numbers for the building material retail operation were not available, Jones stressed that a turnaround had occurred because of a new attitude.

"We had always been sales oriented," he said. "Now we're bottom line oriented."

In addition, remerchandising has focused the stores on retail and farm customers. "We're not going to wait for contractors," Jones said.

The return of home building in Peavey's market has also been a factor, apparently. In January total housing starts, seasonally adjusted, were up 91% over a year ago in the North Central region, while permits for total housing jumped 160%.

"We're doing more estimating than we've done in years," said Jones. "We made money in January. And we have trouble with winters up here."

Peavey operates building supply centers in five states: Montana, North Dakota, South Dakota, Minnesota and Wisconsin. Store sizes vary from 2,000 sq. ft. to about 16,000 sq. ft.

At 34 stores, the operation is now cut back as far as it is going to be, according to Jerome Trebil, vice president of Peavey's retail group.

"We don't now have expansion plans on the drawing board," he said.

Peavey may now be in a better capital position for expansion since its merger last year with ConAgra, an Omaha-based food processing company.

With the consolidation of buying functions most purchasing is now done from the Watertown, S.D., office, although the Middleton, Wis., office remains open as well, with a buying staff reduced from five to two.

Before the streamlining Middleton handled buying for Fish Building Supplies Centers. Peavey and Peavey/Thunderbird buying was done from Watertown. Now both offices buy for all operations and product categories are split.

Buyers at Watertown handle plumbing, electricals, hardware and lumber, while millwork, paneling, insulation, roofing and sheetrock are purchased through Middleton.

January housing starts up 96% over '82

WASHINGTON—Total January housing starts, seasonally adjusted, reached 1.7 million units, according to the Commerce Department, the highest level since September 1979.

That was an increase in total units of 96% over January 1982. Single-family units alone broke the one million mark, with 1.1 million starts, seasonally adjusted, an increase of 90% over January last year.

Permits were also strong. For single-family units, rates were up 98% from January 1982 to 893,000 units; total housing permits were ahead 88% with 1.5 million filed.

The rates for seasonally adjusted total starts were strong for each region. Percentage increases over January 1982 were: Northeast, 100%; North Central, 91%; South, 96% and West, 98%.

The South reported one million seasonally adjusted starts for January. Perhaps reflecting the region's relative strength this year, total permits were up only 65% from January a year ago.

That increase seems modest compared with the surge in permits reported in the North Central region, which was up 160% from January 1982. Permit activity in the Northeast was up 113%, in the West, 112%.

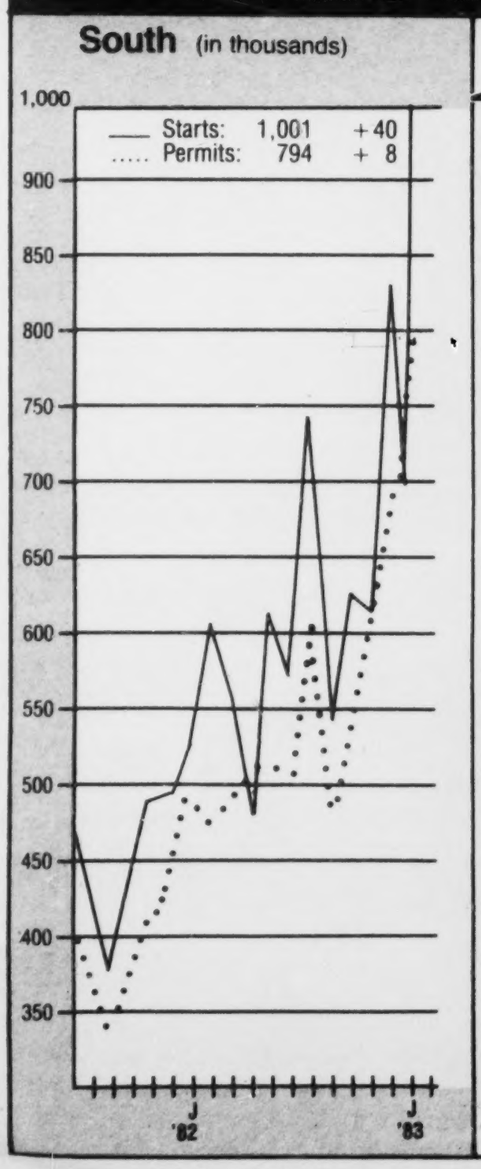
Other housing indicators proved positive as well. Mortgage interest rates declined in January, according to the Federal Home Loan Bank Board. The average effective rate offered by major lenders in early January was 13.92%, according to the board, the lowest average since October 1980.

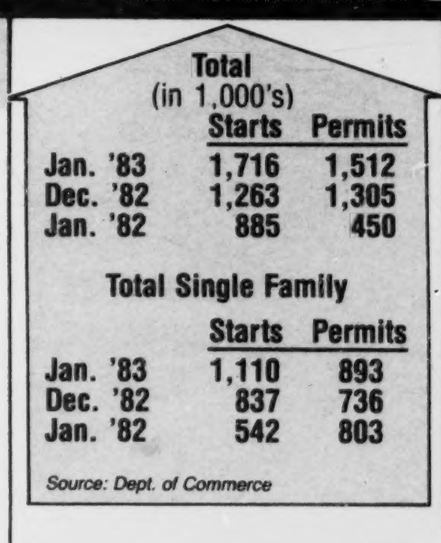
Increasing consumer confidence was also indicated by the increase in sales of existing single-family homes, which have been steadily on the rise since the fall.

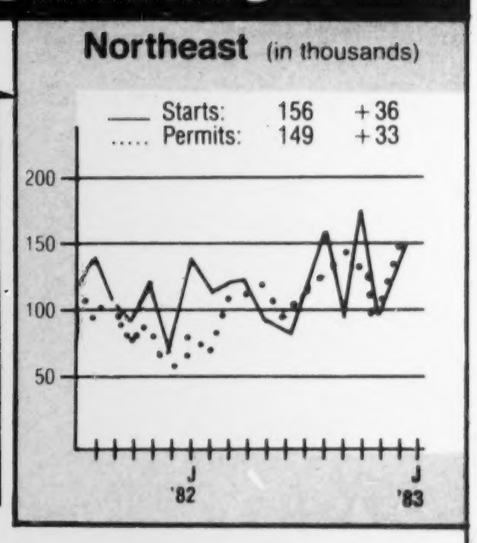
In December, 2.2 million homes changed hands, a rate that was 20% greater than the low for 1982, which occurred in August with 1.8 million units,

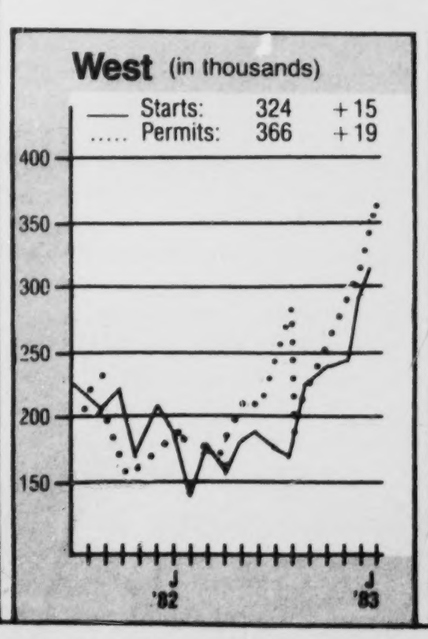
(Continued on page 62)

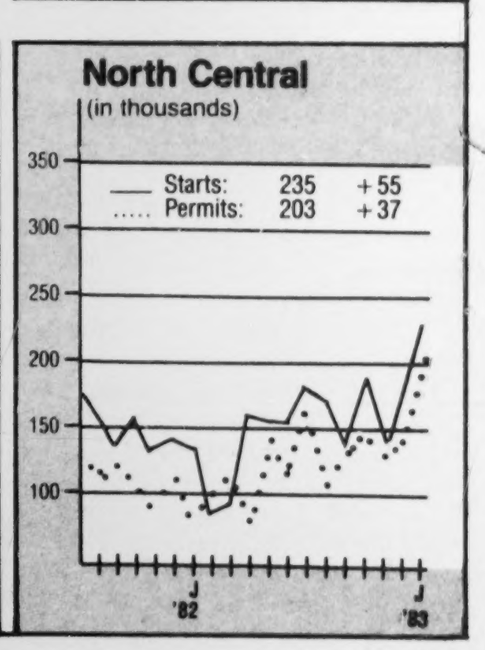
January home-building activity











SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Evans Products**	12/31-4th qtr.	$ 191,350	$ 176,485	8	$ 16,019	$ 13,500	19
	12/31-Year	790,320	756,160	5	56,262	53,047	6
W. R. Grace	12/31-4th qtr.	1,592,236	1,764,360	−10	54,011	82,779	−35
	12/31-Year	6,127,553	6,537,234	− 6	319,489	364,703	−12
Lowe's	1/29-5 wks.	84,800	54,600	55	—	—	—
Scotty's	1/29-4 wks.	27,901	20,916	33	—	—	—
Southwest Forest Industries	12/31-4th qtr.	135,106	172,441	−22	− 10,811	6,163	—
	12/31-Year	582,745	779,461	−25	− 27,389	18,420	—

*$ in thousands
**includes results from Evans Products' home centers only. Earnings are operating profits.

DIY sales surge helps offset decline in Evans' contractor biz

PORTLAND, Ore.—A nearly 10% gain in DIY volume helped offset a 21% decline in contractor trade from a year ago to boost revenues from Evans Products' retail group to $790.3 million during 1982, company officials reported.

Retail sales totaled 88% of the group's volume or just under $700 million during the year, they said. The sluggish new housing and remodeling activity was labeled as a cause for the lower builder sales.

Operating profits for the group also rose from $53 million in 1981 to $56.3 million last year.

The retail group's performance only slightly softened the company's overall poor showing in 1982 as Evans reported a $64.8 million net loss on sales of $1.3 billion. The loss came from continuing operations, which lost $19.1 million, and from its custom-home building operations, which lost $45.7 million and were discontinued at the end of the year (*NHCN*, Jan. 17).

A 12.7% rise in interest expense in 1982 also contributed to the loss.

In the fourth quarter, the retail group's operating income rose 19% to $16 million on an 8% gain in revenues to $191.4 million from the last quarter of 1981. Retail volume in the period grew by 11% while contractor sales dropped less than 4%.

Evans operates home centers under the Grossman's, Moore's, Lindsley, Alamo Enterprises and Hubbard & Johnson names.

STOCK PRICES

	As of 2/16
Boise Cascade (NYSE)	37⅜
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	13⅞
Forest City (AMEX)	18⅞
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	40¾
The Home Depot (NASDAQ)	33½
Lowe's (NYSE)	30⅞
Pay 'n Save (NASDAQ)	34⅜
Payless Cashways (NYSE) [Furrow]	45½
Scotty's (NYSE)	20
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	14

	As of 2/16 Bid	Asked
Erb Lumber	15	16½
Hechinger	23½	23¾
Hines Lumber	19½	20½
Pay 'N Pak	23¼	23½
Scotts Seaboard [Scott's]	1	2
Wolohan Lumber	6¼	6⅜

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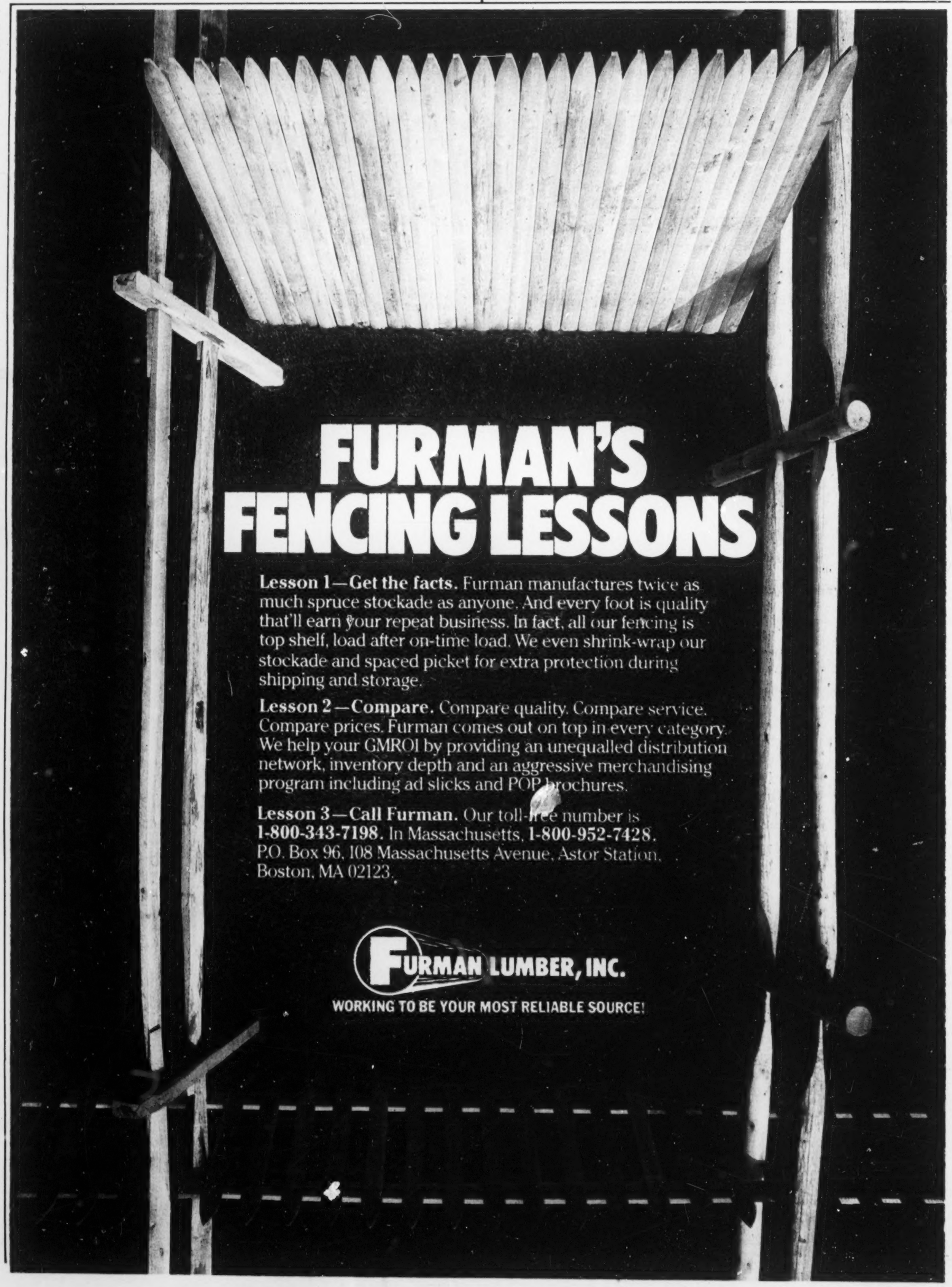

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KITCHEN & BATH SUPPLEMENT—pp. 15-30

National Home Center News®

Vol. 9, No. 7 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. March 28, 1983

W.R. Grace launches new chain; Denny resigns

Division president expected to start own DIY operation

By Kenneth Schept
NHCN senior editor

NEW YORK—Frank Denny has resigned as president of the $875 million W. R. Grace home center division.

He is expected to soon launch a warehouse-type home center operation in San Antonio with David Saks, the recently retired, former Handy Dan president, according to several industry sources.

The resignation was submitted March 8, and by the end of that week W. R. Grace had not announced a successor.

Frank Denny

As head of Grace's 273-store, six-chain home center operations, Denny was widely regarded as one of the

(Continued on page 46)

5 warehouse stores blitz New Orleans

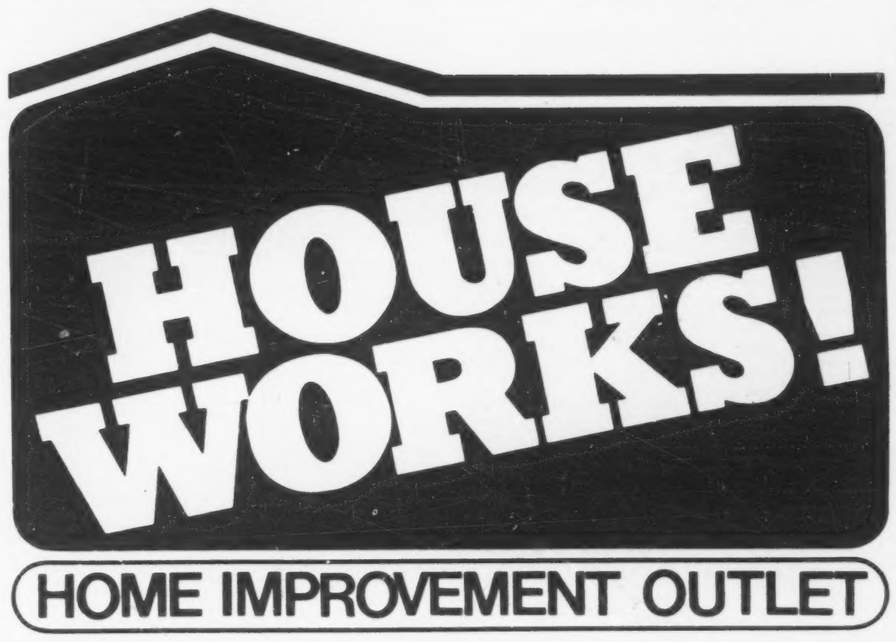
By Wyatt Kash
NHCN editor

NEW ORLEANS—W. R. Grace has just launched a new five-unit home center chain of "upgraded" warehouse-style stores here aimed at winning both professional and do-it-yourself customers.

The new chain is called House Works, and is being built from a formula that combines a 35,000-item product selection and extensive customer service in a 70,000-sq.-ft. store format, with a pricing strategy bent on not being undersold.

The first of five House Works stores opened March 16, in a converted 45,000-sq.-ft. Handy City outlet in Harvey, La., with a second outlet opening March 23 in 70,000 sq. ft. of a former Woolco store on Veterans Boulevard in Kenner, La.

Additional outlets are planned in the New Orleans suburbs of Marrero, Chalmette and Metairie—all due open by May 1—with added sites under consideration at two other New Orleans locations as well as in other major markets.



Grace has started a new chain of home centers called House Works.

"The format is really the culmination of maybe 15 different home center stores around the country, including the best of the Grace chains," said Frank Powers, vp-merchandising research and development for the Grace home center division. Powers, along with former division president,

(Continued on page 46)

HomeOwners Warehouse pledge: lowest prices at 1st Florida unit

Mr. How, the DIY adviser, is the centerpiece of HomeOwners Warehouse's effort to supply customers with service. Mr. How can offer customers computer printouts of materials and prices.

COCONUT CREEK, Fla.—HomeOwners Warehouse opened its first unit here early this month with a written guarantee to customers that prices would be Florida's lowest.

The 70,000-sq.-ft. operation is also raffling off a two-bedroom home located in a nearby development.

Certain items seemed to be promoted literally below cost: a telephone for $9.88; gypsum, $2.47; solid mahogany panel doors for $37 and a bath vanity for $19.

The strong price image and bold giveaway seem easily explained. Seven miles away in this Fort Lauderdale area is a Home Depot outlet. The opening of HomeOwners places two warehouse-type, high volume operations head to head.

In addition, there is a Lindsley nearby and a Scotty's being built. Price is one of several approaches HomeOwners is taking to capture a niche for itself. Unique approaches to merchandising and customer service are also being attempted.

And refinements are already being considered with an eye toward opening a second unit this summer, according to Pat Sher, HomeOwners president.

While the former Lindsley president would not quantify his store's first-day performance, he noted that it went beyond his expectations.

"The parking lot was filled until we closed," he said. "We stayed open for another hour."

(Continued on page 46)

Customer tests the product at this telephone display in The Home Depot's Orlando, Fla., store. NHCN photo

Home centers reach out to capture telephone sales

By Molly Brauer
NHCN field editor

NATIONAL REPORT—Home center buyers are now finalizing deals with telephone manufacturers in anticipation of doubling last year's sales, as a result of deregulation and widespread first-time telephone ownership.

Many home center chains that have offered phones on a limited, promotional basis will now expand to full departments, devoting 8 ft. to 12 ft. of gondola run to their lines.

Manufacturer prices for phones have slipped as much as 30% during the past few months. Buyers agree, however, that they have bottomed out and now is the time to purchase.

Generally, home centers will be taking merchandise from four major producers because of their return policy. Margins are expected to soften to 30% because of the level of competition.

Among home center chains poised to offer full lines of telephones and accessories are Handyman, San Diego; Payless Cashways, Kansas City; Chase-Pitkin, Rochester, N.Y.; Mass Hardware and Supply, Waltham, Mass.; Gee Lumber, Chicago, and Ernst, Seattle.

Said Lyle Gregory, merchandise and marketing manager for Lumberjack, Sacramento, Calif., which already carries 8 ft. of phones: "We'll probably have two or three years before

(Continued on page 45)

NEWSBREAKS

HOUSING OUTLOOK REVISED UPWARD. McGraw-Hill has revised its estimate of housing starts this year to 1.475 million, based on declining interest rates. About 900,000 starts are expected to be single-family units, a 42% increase over 1982's figure. The revised Dodge/Sweet Construction Outlook predicts a drop in housing activity during the middle of the year, with a rebound to 1.55 million in the fourth quarter.

INSIDE:

SPAHN & ROSE sets a sizzling sales pace by aggressively merchandising DIY solar collector panel projects ..... **Page 2**
EXISTING SINGLE-FAMILY HOME SALES made record-breaking gains in January ..... **Page 2**
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PROPOSED TARIFF on imported Canadian lumber was temporarily rejected by the International Trade Administration **Page 3**
MERCHANDISING SPOTLIGHT: Ceramic tile continues to make inroads at home centers ..... **Page 26**

NHCNews Briefs

Industry Update

Hechinger earnings up 37%

LANDOVER, Md.—The Hechinger Co. reports that net earnings went up 37% last year to $11.7 million on $241.3 million in total sales.

Annual sales, meanwhile, increased by $30.7 million, a 15% gain over the $210.6 million sum of one year ago.

The figures reflect a net margin of 4.8% for the year ended Jan. 29, 1983. The company posted a 4% margin in 1981, with profits of $8.6 million.

Fourth-quarter earnings jumped 53%, increasing from $2.4 million to $3.7 million during the 1982 period. Fourth-quarter sales also showed a substantial gain, growing 21% over the $46.6 million total logged in January 1982.

Comparable store sales were up 10% for the fourth quarter; 7% for the year.

Lumber City taps McNulty

SHERMAN OAKS, Calif.—Robert McNulty has been named president of 12-unit Neiman-Reed's Lumber City.

He replaces Robert Neiman, a founder of the chain, who assumes the post of chairman.

Neiman had indicated last summer when McNulty joined the chain that these personnel changes may eventually take place (*NHCN*, Aug. 2, 1982). The chairman's slot had been vacant since the death of co-founder Bob Reed in late 1981.

Gee hosts home & garden show

CHICAGO—After more than 20 years since producing a consumer DIY show, Gee Lumber, the 13-unit Chicago chain, introduced a home and garden event called "Meet the Pros" March 25-27 in its headquarters store.

"We're trying to get our spring business off to a rousing start this year," said president Jim Gee Jr. The show is being advertised and promoted widely in a move that will put Gee's name before the Chicago public.

The advertising includes radio, television and a tabloid featuring tie-in products. More than 60 manufacturers and suppliers have agreed to participate.

Gee will also offer 50 prizes worth more than $4,000 during the home and garden show.

Grossman's leases Calif. site

VENTURA, Calif.—Grossman's has signed a lease, subject to city approval, for a 70,000-sq.-ft. warehouse facility it plans to convert into what could be the largest store in the 200-unit chain.

Grossman's operates 29 stores in California, mostly in the north, that average 20,000 sq. ft. Its southernmost stores are in Lancaster and Bakersfield.

It plans to utilize 60,000 sq. ft. of the warehouse (previously owned by Sierra Roofing) and another 50,000 sq. ft. of outdoor selling space for commodities. Vendors report the chain, at presstime, had made commitments to purchase products in truckload quantities.

Grossman sources said they were not sure when a site proposal would be presented to the Ventura City Council, and would not comment on when the store would be opened, how it would be laid out, or whether it was a prototype for further southern California expansion. "This is a real estate opportunity we're taking advantage of," said one company spokesman," but it does not mean we're making major changes in the chain."

He said he was unaware of any negotiations for other sites taking place. However, local dealers and manufacturers claiming familiarity with the chain's plans said Grossman's would open the store by mid-June, will employ a warehouse-type retail format, and could possibly be using this as a springboard for four or five such stores.

The Ventura unit would be run by Rich Feichter, an 11-year Payless Cashways vet, and managed by Jack Roadie, each of whom would report to Frank Lynch, general manager for Evans Products Western Retail Group in San Carlos.

National Home Center News

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $20 a year ($21 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 9, No. 7 March 28, 1983

Spahn & Rose clinics help boost sales of solar collector panels

DUBUQUE, Iowa—Spahn & Rose Lumber's main yard may offer a modest 2,000 sq. ft. of selling space here, but its sales of DIY solar collector panel projects have been anything but modest.

The 25-unit chain sold 100 DIY solar collector projects at $200 each last year.

"With the push we're making in advertising and clinics, those sales will double in 1983," said Dwayne Huston, vice president and manager of the Dubuque yard.

Part of that effort has been in the form of half-hour clinics at a local home show, as well as more formal two-hour sessions at the chain's headquarters. About half of the people attending the class end up buying the solar collectors, according to Bob Haverland, architectural designer for the chain.

"You don't have to be a professional or get technical to sell solar heat collectors," he said.

Since most of the materials needed for the solar projects, like lumber, are already sold at home centers, it may be only a matter of time before solar packages are more readily available at those outlets, since, according to the Spahn & Rose experience, they do stimulate additional sales.

"There will be a day in the near future when K marts will carry this," said Haverland.

He said Spahn & Rose sells most of the material for the projects at a 50% markup, with a 75% markup on smaller, finishing items like neoprene washers and sealing tape. The only items not normally found at home centers are the special glazing and air blowers.

The chain has been selling collectors for five years, since it took on a unit manufacturered by a Nebraska company named Hotline. That collector retailed for about $345 and required professional installation.

Pictured here is a Spahn & Rose installation of their solar panel kit, which is adaptable to different home designs.

For the past three years Spahn & Rose has offered the DIY plans provided by Northland Solar, which also supplies Wickes, Sutherland, Great Plains and Lamperts.

The typical DIY solar collector now being promoted by Spahn & Rose through DIY clinics at the main yard and at local home shows in Dubuque is a 4-ft. x 8-ft. panel. It consists of a frame, glazing and a blower to circulate the warm air, and it is sold with blueprints to construct the project.

Spahn & Rose advertises the solar collectors on radio and in newspapers about nine times a year, plus draws additional traffic with the clinics. The chain has also developed some add-on sales by the addition of a locally popular aluminum fascia. The panels are sometimes promoted at a sale price of $208 with the fascia.

Another sales help, featured in Spahn & Rose ads, is the consumer tax credit for home energy-saving improvements.

The enthusiasm and growing sales at Spahn & Rose have convinced Haverland to expand the program by introducing solar heat storage cells (currently sold at Wickes, Spahn & Rose's only home center competition on the panels). The cells will retail for about $5.95 sometime this summer. "Each storage cell is capable of storing as much heat as 80 lb. of rock," said Haverland.

A typical purchase, he said, could be 30 to 40 cells.

Jan. home sales increase 38% over last year

WASHINGTON—The greatest monthly increase in sales of existing single-family homes occurred in January, according to the National Assn. of Realtors, (NAR), which has kept housing information for the past 16 years.

January's seasonally adjusted 2.61 million units sold was 38.1% ahead of January 1982, 40.3% over the cyclical low of 1.86 million units reached last August and 15.5% more than December.

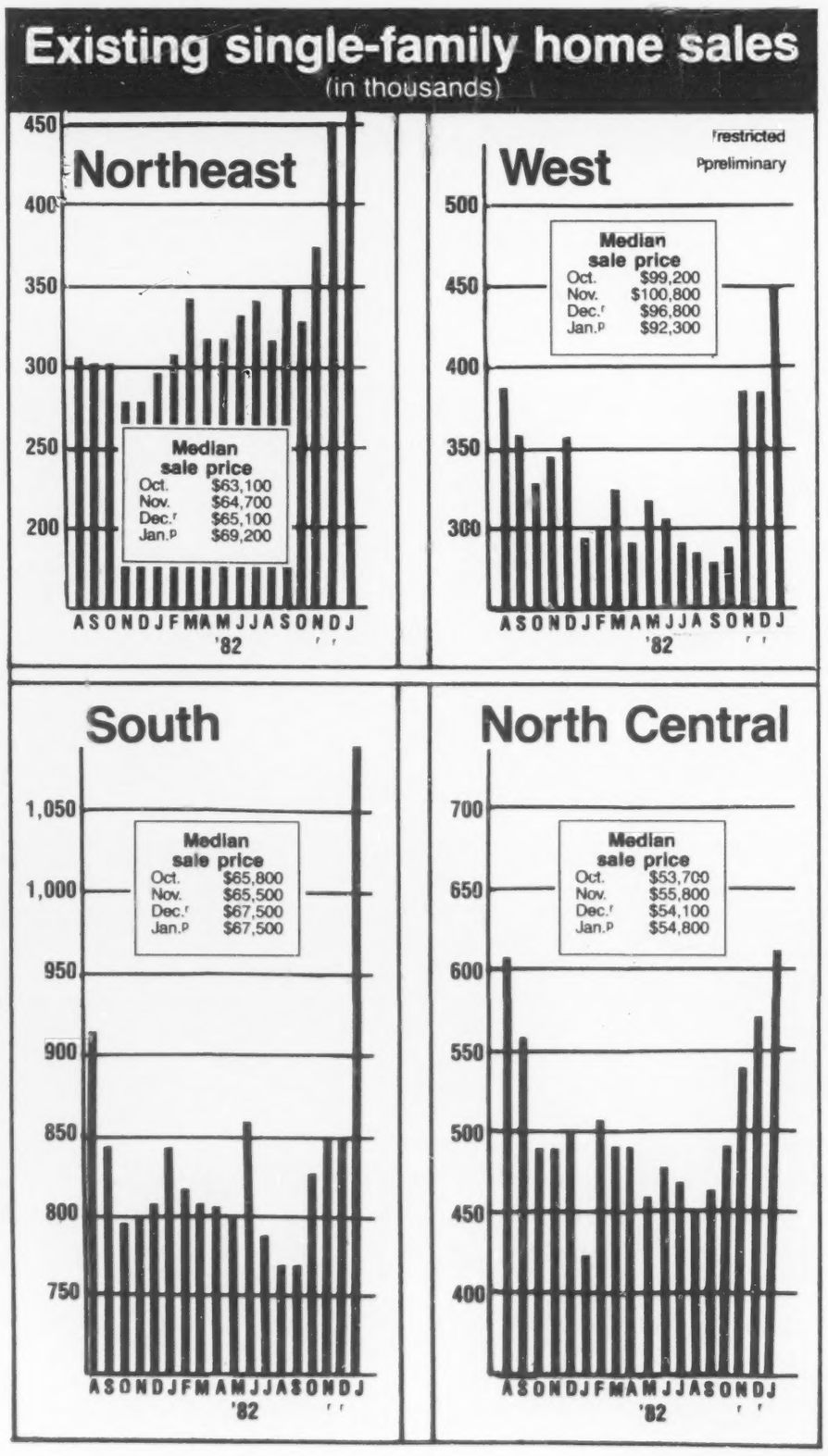
It was the fifth consecutive month of higher sales. The South showed the greatest improvement with 1.12 million units, 31.8% ahead December. The healthy resale activity in the South corresponds to seasonally adjusted starts for that region, which reached one million in January.

The apparent return of confidence among the home buying public is particularly good news for the home improvement industry. More people moving has traditionally meant increased remodeling and general upkeep, which translates into increased retail sales.

As Hechinger senior vice president Phil Mansfield noted at the recent National Home Center Show, when asked to comment about the strengthening housing market, "When you get transience, it's good for everybody."

According to Harley Snyder, president of the NAR, a further

(Continued on page 45)



Retailers tap telephone market

(Continued from page 1)

these things turn into CB radios. But in the interim, we're going to make a lot of money."

Meanwhile, a rash of vendors are now striving for a piece of that business.

"They're coming out of the woodwork," was the way Lowe's merchandising vp Bob Cannon summed up his chain's experience with telephone suppliers earlier this year.

There are literally hundreds of vendors for low-end, promotional telephones, which are often imported. But most buyers agree that the serious contenders for home center business have narrowed to major producers—GTE, ITT, American Bell and General Electric.

The reason for this contraction stems primarily from the biggest problem facing telephone merchandisers: Who will provide service when there's no more Ma Bell to make house calls? The solution that home center retailers have sought is an assurance of over-the-counter returnability.

"We started with GTE, because we wanted to start with a brand name," said Cannon, who explained that his chain will not carry lines from suppliers who don't provide over-the-counter returns—which limits the field to the brand name companies. Cannon predicted this strategy will yield a 70% to 100% increase in dollar volume for Lowe's in 1983.

The G.E. line, not yet available to the public, has generally drawn a mixed review from retailers.

"They were showing it to anyone who cared to see it at the Consumer Electronics Show in Las Vegas," said Cannon, who added that in his opinion "GE had really done its homework."

"It's a super line, cosmetically appealing with about 10 models, very similar to American Bell's line," said Cannon.

Ernst's Larry Smith, an electrical buyer, felt the line would present psychological merchandising problems: "It's too dissimilar to the phone company's big six sellers to command the high-end price. When customers spend that much they want something they can recognize."

Smith preferred ITT's product because, "it's identical to Ma Bell's."

American Bell, the telephone company's new marketer of Western Electric phones entered the business with a bang last January, announcing its first two customers—Sears and Target. But as this issue went to press, spokesmen for American Bell said that no major home center customers had yet been added to their roster.

"We're more interested in American Bell than GE," said Harry Miller, electrical buyer at Gee Lumber. He felt that the completeness of American Bell's line would counteract the footballing that is "turning phones into 1983's smoke detectors," and would better position Gee for long-term telephone sales.

Miller concurred with buyers who felt that the pricing slide of the past three months had bottomed out. Margins will continue to tighten through 1983, in his view, but accessories will be the exception.

"Accessory margins will stay near 45%, except on promotion," Miller said.

John Breedlove, Payless Cashways' merchandising vp, said "Margins will probably seep down to the low 30's on telephones in the next year."

The tight margins don't worry retailers, however, who are predicting record growth in 1983, and a sustained market in the next 5 to 10 years.

"It looks like we'll have a 10% increase per month," said Bernard Perkins, Scotty's electrical buyer. In addition to 4 ft. of phones in its stores, Scotty's stocks phones in its warehouse

Scotty's also sells answering machines priced from $108 to $150, as well as a half a dozen sku's of telephones priced from $14.99 to $108. The complete line at Scotty's is composed of GTE equipment.

Perkins also felt that home centers will continue to enjoy a 30 to 50% niche in the telephone market for the next five or six years. "I don't think everyone will buy their first phone overnight. It's a big investment but the number of phones per household is growing. Homes will have two or three phones, and people will continue to buy phones as money permits," he said.

Handyman vice president Norman Fox said that his chain was in the process of developing its own program rather than adopting the line of one manufacturer. "We don't intend to concentrate on novelties," he said, explaining that Handyman would probably devote about 8 ft. in its stores to a combination of domestic and imported phones—priced from around $20 to $80.

Lumberjack's Gregory said 1982 telephone sales were $100,000 for the seven-unit chain. He expects 1983 sales to double or triple that figure.

There don't seem to be many buyers whose projections for 1983 sales are temperate, but Stephen Underwood, president of Chase-Pitkin, is not planning a major push into telephone merchandising. The chain now carries two colors of a standard ITT desk phone, priced at $34.95.

"Our problem is competition from discount stores and catalog houses," he said. "And telephones are difficult to display properly and keep from getting stolen."

Grossman's new bargain outlets

(Continued from page 3)

"The stores have never seemed to crack any substantial retail volume here, so a merchandising change might not be such a bad idea," said Henry Noffke, president of the independent Noffke Lumber, Oshkosh. Local industry sources also noted that Grossman's has suffered most adversely from the expansion and pricing strategies of Menards, and they conjectured that the GBO conversions could be a competitive response.

Since 1976, Menard's growth could be viewed as a frontal assault against Grossman's: in Green Bay, the two chains are crosstown rivals; in Oshkosh, their stores are across the street from one another, and the big test will come in Milwaukee when Menard's opens its new 80,000-sq.-ft. store across the street from a Grossman's unit.

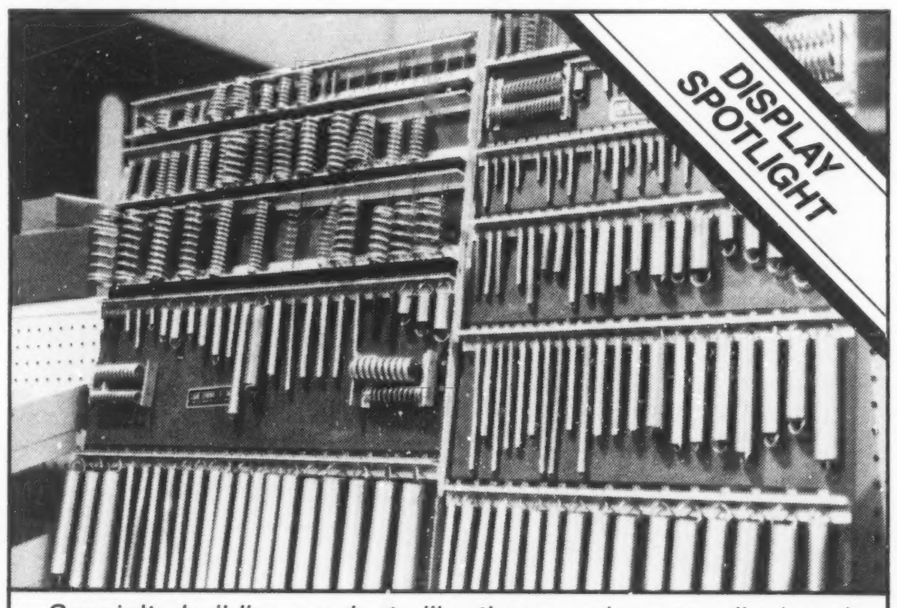
Menard's has always been known as an aggressively promotional chain, and the company gave new meaning to competitive merchandising and pricing recently by carrying paint with Channel Home Center labels and selling it for $3.96 a gal. This kind of "cutthroat" pricing, according to one local retail source, has forced Grossman's to reduce its margins to "under 25% from the mid-30% range" just to keep pace with Menard's.

When asked whether the GBO conversions were being done to counter the effects of Menard's on Grossman stores in Wisconsin, a Grossman source stated that "I cannot remember us ever making a decision based on one factor, but all the elements affecting a market are always comsidered before we make any marketing changes." He reiterated that the conversions should not imply any strategic realignment within the company.

Another Grossman's spokesman affiliated with the GBO stores entirely disregarded the Grossman's-Menard's connection. "People can believe what they want, but we're not changing those units to GBO stores because of competition, but because they are too small," he said. "I still believe the Red Sox are going to win the pennant, but that doesn't make that true, either."

Both sources said there were no plans to convert the five standard-sized Milwaukee Grossman stores into GBO units. But with the two chains battling it out throughout the state, how will other local competitive stores react?

There's always a market for service, and that's what we'll promote besides price," said Dave Boyles, director of advertising for the six-unit Kindt Corp., Lomira. Noffke of Noffke Lumber said his ads would state directly that his stores carry items different from those at either Menard's or Grossman's. And Hal's Gritz said his stores would continue to "try and be ourselves. And if we cannot be competitive, we'll switch vendors to make us competitive."



Specialty building products like these springs are displayed on a pegboard at ABC Lumber, Costa Mesa, Calif. NHCN photo

Canadian tariff

(Continued from page 3)

The Northeastern Lumber Manufacturers Assn., 81% of lumber sold in Vermont is Canadian; in New Hampshire and Maine, 74%. In Delaware the figure is 84%; in Florida and Georgia, 55%, according to the Western Resource Alliance, a trade group.

Indeed 90% of Sherwood Lumber's inventory is Canadian, according to Goodman.

Kuehne points out that this Canadian penetration has hurt United States producers who were already ailing from the housing recession. While he concedes that Canadian producers are also suffering from the economic downturn of the past few years, Kuehne feels that the pain was not as intense north of the border.

A preliminary finding issued by the U.S. International Trade Commission last November found that United States lumber producers had been hurt by their Canadian counterparts. However, imposition of a duty would require both this finding of injury as well as the determination that Canada subsidizes its industry.

"We're seeking equity and it's being read as if we're trying to gain a tremendous advantage," said Kuehne. "I'm really miffed at home builders and others who say we are seeking big advantages."

Housing

(Continued from page 2)

increase in people changing homes can be anticipated.

"Thousands and thousands of people are coming back into the marketplace as a result of lower interest rates, and they are discovering that the home they contemplated purchasing early last year but couldn't afford because of high interest rates is worth another look now," Snyder said. His remarks were contained in an NRA press release.

The statement also noted that a recent public opinion survey discovered that 33% of those polled during the last quarter of 1982 answered that it was a good time to buy a home, compared to 18% who answered that way in the third quarter.

While other regions did not move up as dramatically as the South during January, resale activity increased overall in each region, although only moderately in the West.

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Special National Home Center Show Coverage

Panel tells American DIY execs how to crack overseas markets

By John Caulfield
NHCN associate editor

DALLAS—American home center industry executives recently learned that food chains in France are diversifying into the DIY market; that Ace Hardware helped a Guatemalan wholesaler develop a chain of home improvement stores and that gardening tools and supplies made up the biggest percentage of total per-store sales in Japan.

For American dealers and manufacturers interested in overseas DIY markets, this year's International Conference at the National Home Center Show provided innumerable details about the development of the home center industry in several European, Asian and Latin American countries. Suggestions about expeditious ways to break into those highly competitive markets were also delineated.

Dwight Boyer, marketing vp for Master Lock Co., and chairman of the Worldwide DIY Council, went right to the heart of the matter when he told a luncheon audience that for "the 11th straight year," the United States has imported more than it has exported, and its trade deficit was $33 billion in 1982.

Boyer suggested that manufacturers in this country need to develop an export "game plan" that includes accumulating detailed research on the markets of foreign countries, understanding the marketing and distribution nuances of those markets, and then making a real commitment in them with a strong sales force.

He said that much of the information manufacturers might need is available from the U.S. Commerce Department at minimal cost, but insisted that American producers should not be afraid to take the initiative and conduct market research studies or product tests on their own. Quoting Commerce Dept. estimates that 18,000 "trade opportunities" worth $500 million will open up overseas in 1983, Boyer urged his listeners to take advantage of these prospects.

He specifically stressed the need for exporting firms to know what they were getting into, especially the political and economic situations of the countries they were shipping to. Boyer also enumerated some amusing "peculiarities" in the lifestyles of certain nations: In Teheran, there is no phone book; Cairo, with eight million people, has only 250,000 phones; three years ago, mail in Italy was being shipped aimlessly on trains instead of being delivered, and in Saudi Arabia, streets and houses sometimes lack names and numbers.

Gilles Caille, vice president for the Centre de Liaison et d'Information du Bricolage (CLIB), presented statistical data on the French DIY market that, in scale, bore only partial resemblance to its United States counterpart.

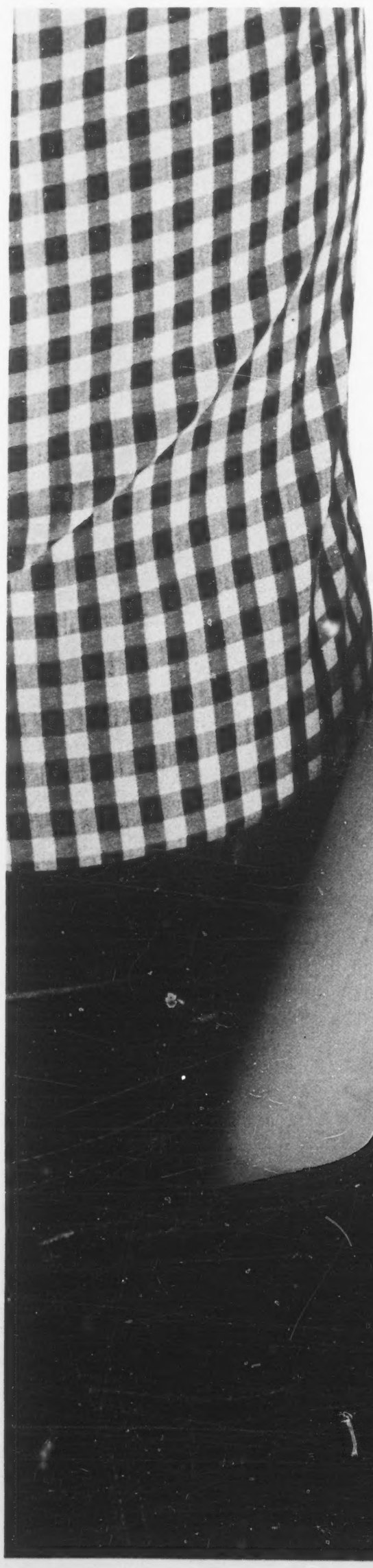
Home improvement sales in France rose to $1.7 billion in 1981 (based on the conversion of seven francs to one U.S. dollar), and there are about 2,000 stores selling building materials, tools, decorator products, electrical and plumbing supplies, and lawn and garden items. A typical French store averages $1.3 million in sales, has 13,450 sq. ft. of selling space and employs 14 workers. From 1971-76, France averaged about 90 new store openings annually, which dropped to 55 a year in 1976-81.

Sixty per cent of the country's DIY stores are part of larger chains (far greater than in the United States where about 33% of all home centers are chain-operated), France's DIY industry breaks down into six store classifications:

- Independents which account for 20% of the industry's stores and selling space;
- Stores affiliated with chains or buying groups accounting for 35% of total selling space, and includes such companies as Catena; ANPF, which runs "Mr. Bricolage" and Sapec, operating Gemo and Maison Conseil units;
- Specialized "multiple" stores and franchises, such as Castorama and Leroy-Merlin, typically the country's largest DIY stores, accounting for 33% of all DIY retail selling space but only 12% of total units;
- Shopping centers, which account for 2% of all the home improvement stores, and 3% of the industry's selling space;
- Department stores and "popular" units, which are more active in the DIY market than most of their American counterparts, having 5% of all the retail square footage and 4% of France's DIY outlets; and
- Lastly, major food companies now expanding into the DIY realm, which account for 2% of the industry's stores and 3% of its selling space. Examples of this trend are the Casino food chain, which has opened up home centers called Somabri, and the Euromarche group, with Euroloisurs specialty DIY units.

Caille noted that 81% of all French men and 44% of the country's women are DIYers, with the male shopper falling into the 35 to 49 age group and the woman into the 25 to 34 sector. In a poll CLIB did in 1981, it was discovered that 64% of French DIYers performed the job themselves to avoid paying a contractor and another 51% said they enjoyed doing the

(Continued on page 40)



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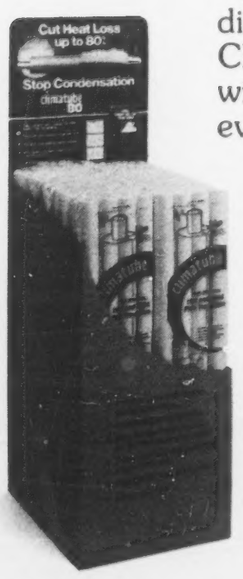
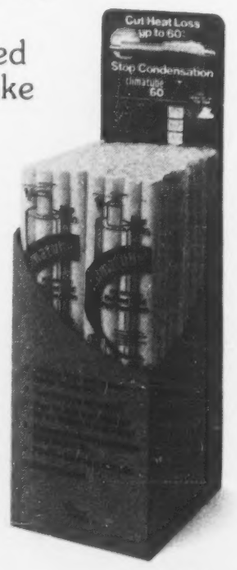


climatube 80



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Special National Home Center Show Coverage

International conference

(Continued from page 6)

work, roughly in line with United States figures, Caille said.

The Japanese home center market appears to be more lawn and garden and automotive oriented in its merchandising, according to information provided by Yuzura Kimura from Asahipen Corp. and executive committee chairman of the Japan DIY Industry Assn.'s paint division.

Gardening materials and tools generally take up almost one quarter of the floor space in a Japanese home center (which averages 17,100 sq. ft. of indoor and outdoor selling space) and the product category generates the highest percentage—17.2—of a store's total volume, followed by car accessories which account for 14.2% of sales, from 8.2% of a store's selling area.

However, carpentry tools had the greatest sales growth in Japanese DIY outlets in 1981 (26.3%), with car accessories (25%), hardware (24.6%) and garden tools (21.4%) following that lead.

Kimura explained some of the differences in Japanese merchandising that are dictated by custom and tradition. For instance, because of the "indigenous architecture" of Japanese homes, DIY maintenance has been very difficult, and he pointed specifically to Japanese customers reluctance to use paint on delicately contructed interior walls. Nevertheless, Kimura felt the acceptance of DIY in his country of 110 million people is growing.

While he did not say how large the Japanese market actually is, 1981 sales from some of its larger companies indicated chains are finding a healthy market: Kahma has 20 stores doing $75 million; Keiyo with 29 units has sales of $66 million, and Nafco generates $64 million from 35 stores.

The average Japanese home center does $2.8 million in sales annually, with sales per square foot around $193, net income as a percentage of sales averaging 3.4% and gross margins hovering at the 25% mark. In terms of the individual size of Japan's home center stores, Kimura's data showed that only 3% of the country's stores exceeded 32,400 sq. ft., but more than 20% had profits in 1981 at or above 7% of sales.

Peter Keller, managing director of the Amsterdam-based FETIM BEKOL wholesale distributor, meanwhile claimed the European DIY market "began in Holland" in the 1960's, and had grown to $1.3 billion in sales last year, although he projected the country would experience a 2% reduction in individual consumption in 1983.

Of the 8,000 stores selling DIY products in Holland, 280 are home centers, 3,100 paint stores, 1,700 are lumberyards and another 2,650 are hardware stores. In the home center group is the American-based Wickes, with 75 stores; the GAMMA group, with 69 warehouse style building materials outlets, according to Keller, and an unidentified number of "Super-Doe" stores, ranging from 30,000 to 35,000 sq. ft. These are operated by Vroom Dreesmann, B.V., the retailer which, in 1981, attempted to merge with W. R. Grace.

Keller estimated that 47% of all DIY projects in his country were done jointly by men and women and, unusually, about 50% of all Hollanders travel to a DIY store on foot.

Mario Nathusius, president of Cemaco Ace Home Center in Guatemala City emphasized his country's relatively low debt levels—when compared to countries like Brazil—and attractive consumer demography (83% of the population is under 39 years old) as the basis for stating that the DIY market in his country was growing, and that United States manufacturers should actively solicit its business.

He used a slide presentation to describe how Ace Hardware, the Oak Brook, Ill., co-op wholesaler, assisted in his converting his four stores into home centers each doing between $1.5 million and $3 million in sales. His newest unit is 18,000 sq. ft. with a 20,000-sq.-ft. warehouse.

PROPORTION OF SALES FIGURES Japan DIY industry

Exterior articles	5.1%
Paints and Adhesives	5.8
Carpentry tools	5.8
Lumber and Plywood	8.3
Electric supplies	8.9
Interior articles	9.3
Hardware	10.0
Daily goods	11.2
Car accessories	14.1
Gardening materials/tools	17.2
Hobby	4.3

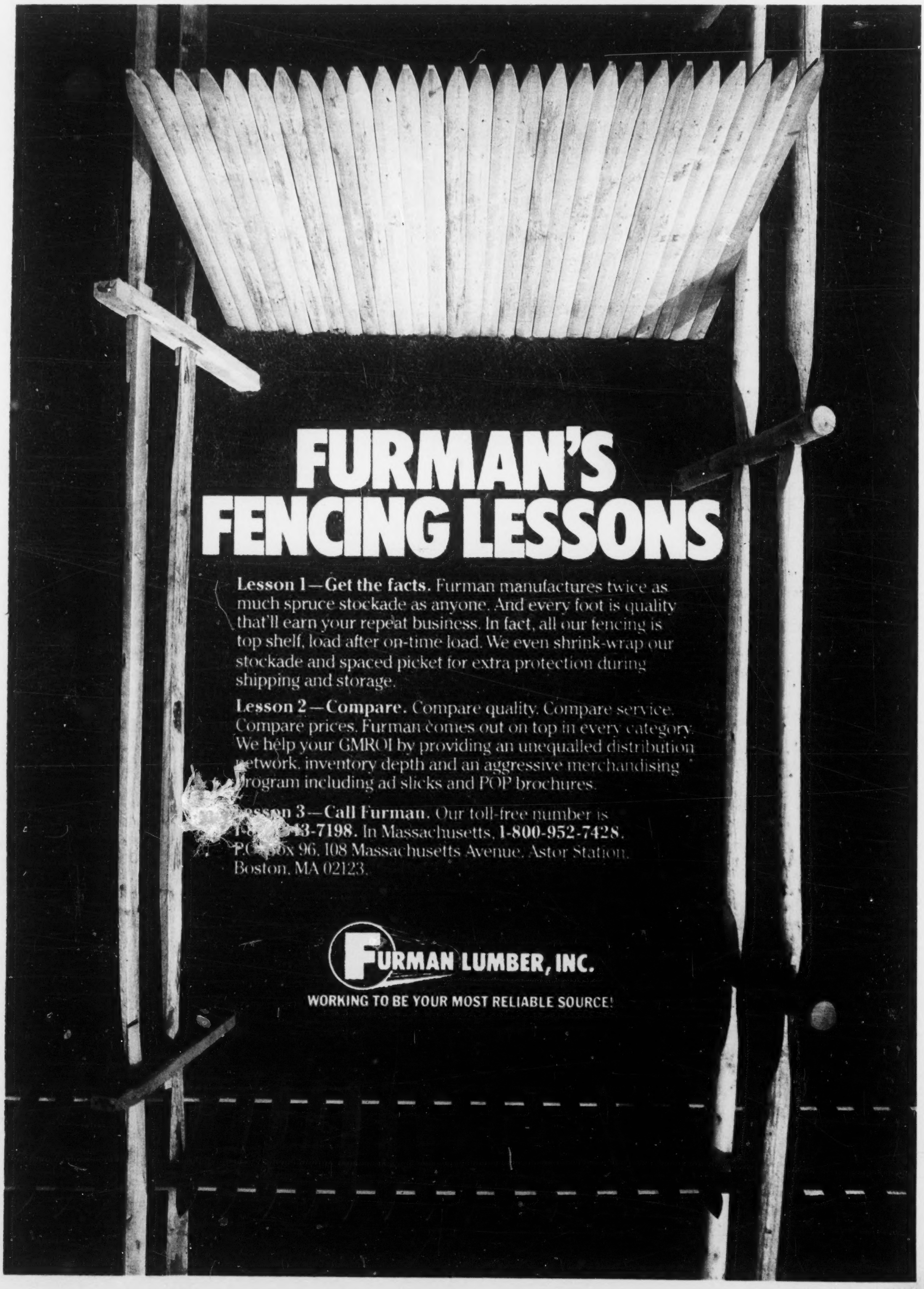
Source: Japan DIY industry

PROPORTION OF FLOOR SPACE Japan DIY industry

Carpentry tools	4.7%
Paints and Adhesives	5.5
Electric supplies	7.2
Car accessories	8.2
Daily goods	8.9
Hardware	10.1
Lumber and Plywood	10.5
Interior articles	10.7
Gardening materials/tools	23.6
Hobby	4.6
Exterior articles	5.5

Source: Japan DIY industry

Japanese home centers devote nearly one-quarter of their selling space to gardening equipment that, on the average, generates over 17% of total store sales. The biggest money maker, in terms of sales per square foot, appears to be car accessories, which take up around 8% of floor space and tally 14% of sales.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Message to rural dealers: Know your local market

DALLAS—The small-market retailer should make it his objective to strive for both an understanding of the local business environment and a high degree of professionalism among his employees.

That was the essential message brought to an estimated 165 people who attended the National Home Center Show's seminar on rural and small town home centers.

The session featured presentations by Charles M. Bell, president of Bell's Do-It Center in Donna, Tex., and Herb Wiechman, president of the North Platte Lumber & Supply Co. of North Platte, Neb.

Both Wiechman and Bell advised retailers to support the community that supports their businesses by becoming involved with civic activities.

FUTURES

Two weeks ended March 4, 1983

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4s; $ per 1,000 bd. ft.							
March	185.00	177.10	183.90	182.00	1,624	209.80	146.80
May	199.70	189.60	192.70	195.70	4,656	209.50	151.50
July	210.70	201.00	203.10	207.20	1,857	217.60	158.00
Sept.	216.00	208.30	210.50	213.30	1,018	221.00	163.80
Nov.	218.40	210.40	212.60	215.40	819	221.70	168.00
Jan. '84	224.10	216.80	219.30	220.50	293	232.00	179.00
March	231.30	225.50	225.70	228.20	101	234.00	206.50

Total Contract Vol. (Through 3/4): 29,427 — **Previous Two Weeks: 28,960**
Total Open Interest (As of 3/3): 10,386 — **Previous Week: 11,631**
Cash Price: $174.44 — **Previous Week: $168.56** — **Year Ago: $128.38**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
March '83	205.00	196.00	197.70	202.50	145	212.00	162.50
May	209.50	200.30	201.90	207.00	694	216.20	167.00
July	213.40	204.50	205.50	210.70	739	221.00	170.00
Sept.	215.00	208.30	209.00	213.20	399	223.90	185.00
Nov.	217.80	120.80	212.00	215.50	131	226.60	206.50
Jan. '84	220.00	213.50	214.50	218.10	15	221.00	213.50

Total Contract Vol. (Through 3/3): 3,409 — **Previous Two Weeks: 2,667**
Total Open Interest (As of 3/3): 2,123 — **Previous Week: 2,305**
Cash Price: $190.12 — **Previous Week: $194.04** — **Year Ago: $173.46**

COMMODITY RESEARCH BUREAU INDEX:	This Week 233.6	Previous Week 237.3	Year Ago 255.3

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, March 3.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Lowe's	1/31-4th qtr.	$ 250,069	$ 173,501	44	$ 5,365	$ 3,128	72
	1/31-Year	1,034,032	888,042	16	25,131	17,859	41
Pay 'n Save	1/29-4th qtr.	306,974	272,638	13	8,512	5,867	45
	1/29-Year	1,043,218	949,189	10	16,807	12,897	30
Wolohan Lumber	12/31-4th qtr.	24,945	18,481	35	211	342	–38
	12/31-Year	89,178	88,788	—	638	972	–34

*$ in thousands

4th quarter sales up at Wolohan

SAGINAW, Mich.—Charges connected with the closing of units in Evansville, Ind., and Hilliard and Cherry Grove, Ohio, contributed to lower net income, although sales were up, in both the fourth quarter and year for Wolohan Lumber, company officials said.

The company made a $475,000 charge to fourth quarter financial results for estimated closing costs and expenses at the three units, giving the chain $211,000 in net income for the quarter and $638,000 in net earnings for the year, officials said.

Comparable earnings in 1981 were $342,000 for the fourth quarter and $972,000 for the year.

Wolohan closed the stores, reducing unit count to 32, at the end of 1982 because they were not turning a suitable profit, corporate controller David G. Honaman noted.

"This [the closings] is part of a consistent review," he explained. "We are looking at the bottom third of our units constantly and if we feel we can't turn them around, we are redeploying the assets."

Company president David F. Wallace said recently in commenting about the Hilliard closing and sale to Sutherland Lumber: "We've taken the stance of reviewing all our centers and replacing the noncontributors with contributors. We intend to grow and we can't let some units drag us down." (*NHCN*, Feb. 28).

Wallace noted that although net income for the final quarter was down from the year earlier, income before income taxes and before the charge for the closings increased 88% to $776,000, the third straight quarter that an increase had occurred in income before taxes and other charges.

Wolohan officials were also encouraged by increasing sales trends.

Fourth quarter volume grew 35% over the previous year, the second quarterly rise in a row, to $24.9 million to help annual sales rise from $88.8 million in 1981 to $89.2 million last year.

For the last quarter, consumer volume rose 49% while builder sales increased 15% compared to prior-year figures.

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Crescent, The Cooper Group, Apex, N.C., has introduced a new Bridgeport line of nine nut drivers which feature a color-coded disc inset into the handle base indicating the socket size from 3/16-in. to ½-in. to 1/16-in. increments.

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National Home Center News®

Vol. 9, No. 8 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. April 11, 1983

Huge crowds jam House Works grand openings

New Grace chain off to flying start in New Orleans

By Wyatt Kash
NHCN editor

HARVEY, La.—Television teaser ads had warned of major traffic tie-ups along the West Bank Expressway here the night House Works was to make its grand debut. But few were prepared for the sheer number of people who descended upon the nation's newest home center operation opening in suburban New Orleans last month.

Traffic at the House Works' Manhattan Boulevard exit was backed up nearly four miles along the service road compounding commuter delays resulting from the new expressway under construction. Cars clogged Manhattan Boulevard, meanwhile, and adjacent ave-

(Continued on page 4)

NHCN photo

Despite torrential rains, New Orleans-area shoppers turned out in droves for the grand opening of W. R. Grace's House Works store in Kenner. The store is one of five due open by May, in addition to two new Home Depot outlets scheduled to debut by summer.

Texas Lumbermen's Assn. representatives present legislative agenda of the National Lumber and Building Material Dealers Assn. to Sen. John Tower (R-Tex.), who this month will introduce a bill establishing Mortgage Retirement Accounts, the NLBMDA's top priority. Facing the Senator are, from left, LAT president Henry Herder; Fred Crozier, vp of Joe Howard Lumber, Fort Worth, and Leon Mellow, LAT legislative head and president of Wiener Lumber, Dallas. NHCN photo

Lumbermen and builders lobby for new financing legislation

By Ken Schept
NHCN senior editor

WASHINGTON—Lumbermen and builders from throughout the nation came to Washington last month to visit Congress and lobby for a variety of legislation.

The groups backed proposals aimed at long-range structural changes in the way housing is financed in the United States, a marked change from the focus of lobbying last year, which was passage of a housing stimulus bill.

"Last year we were building fewer than one million units annually; there was 23% to 24% unemployment among construction workers and 17% interest rates," said Jay Shackford, National Assn. of Home Builders vice president. "Now we're starting to see recovery in housing. We're dealing in a completely different market. A lot of these things [items of legislation] look at the long-range capital needs of our industry."

A particular priority of the National Lumber and Building Material Dealers Assn. are Mortgage Retirement Accounts (MRAs), a variation of IRAs that would allow tax-exempt saving toward down payment on a first home or mortgage prepayment of a current home.

The NAHB is also interested in savings opportunities for

(Continued on page 37)

Two pipe bombs found in Jersey Channel stores

NEW YORK—Two homemade pipe bombs were discovered last month at Channel Home Center stores in Clifton and Totowa, N.J., less than half an hour before the devices were set to go off.

Passaic County Sheriff Edwin Englehardt said the first bomb was found hidden among bags of fertilizer in the Clifton store's lawn and garden department on March 15. Police discovered the second device two days later at the Totowa store, where it had been placed in a plastic garbage can in the housewares section.

A week earlier, police uncovered what they called "a very sophisticated" electronic bomb in the toy department of a Caldor's discount store in West Paterson, N.J.

(Continued on page 37)

Marketers reposition unfaced fiberglass

New tact bolsters insulation sales

By David Morgan
NHCN field editor

NATIONAL REPORT—Home center operators are posting moderate sales increases for fiberglass insulation thanks to new packaging and promotion of unfaced insulation aimed at homeowners who've reinsulated once, but who could afford to add more.

Lowe's, Busy Beaver, Lloyd's Lumber, Somerville Lumber and Value Home Centers are among a number of chains reporting that traditional, unfaced batts and rolls of fiberglass insulation, packaged as a supplemental insulating product, are gaining a sizable share of their total insulation sales.

Moreover, the added sales impetus has helped boost total fiberglass insulation sales up by between 10% and 25% in 1982 over the previous year, although some dealers reported sales fell short of expectations

Don Schmidt, a buyer for Busy Beaver in Pittsburgh, was one of several retailers who said the largest unit sales gains experienced last year came from newly packaged unfaced insulation, which increased by 169%. Schmidt noted that the product still accounted for only 2% to 3% of Busy Beaver's overall insulation sales, estimated at nearly $4 million.

Schmidt said the 30-store chain kept its fiberglass insulation stock 2-to-1 in favor of unfaced rolls and batts, vs. faced insulation in expectation of higher purchases in the reinsulation category. "But this year will be different," Schmidt

(Continued on page 37)

NEWSBREAKS

MORE IN MILWAUKEE. Menards, Eau Claire, Wis., is set to follow through on its proposed three-store expansion into the Milwaukee market after securing permission from municipal officials for two more outlets in Brookfield and Franklin, Wis., suburbs of Milwaukee. The $200 million company has reportedly set next month for the grand opening of its first Milwaukee unit.

INSIDE:

SOUTHWEST FOREST INDUSTRIES is selling its last three Dunlap's Home Improvement Centers in Indiana ..... Page 2
WHITES' TRANSFORMATION COMPLETE: New emphasis on hardware, auto, lawn and garden, sporting goods .... Page 3
THE HOME BUILDING INSTITUTE unveils plans for a year-round building materials exposition in Chicago ..... Page 3
HOME CENTER PRODUCTS dominate safety regulators' list of 1983's priority projects ..... Page 10
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NHCNews Briefs

Industry Update

Home Depot earnings up to $5M; plans 96,000-sq.-ft. Tampa unit

NEW YORK—The Home Depot announced net earnings for the fiscal year ended Jan. 30, 1983, totaled $5,314,618 on sales of $117,645,553.

The record earnings marked a 339% increase from the $1,211,074 posted the year before, even after allowing for $440,000 in preopening expenses tied to the Atlanta-based chain's two Orlando, Fla., stores which opened four days before the close of the fiscal year, according to Bernard Marcus, chairman and ceo. Marcus made the announcement before a group of security analysts at a meeting held here last month by the DIY Research Institute. He noted sales for the fiscal year just ended were up 128% from the previous year total of $51,541,957.

In a separate report, Home Depot officials announced the locations of the final three stores expected to open later this fiscal year, including the debut of a 96,000-sq.-ft. store in Tampa, Fla. The other stores, 70,000 sq. ft. in size, are slated to open in Clearwater, and West Palm Beach, Fla., officials said late last month.

In commenting about the 1982 sales performance of Home Depot's established Atlanta and South Florida stores, Marcus said the stores had yet to show a leveling in sales growth. He declined to make same-store sales comparisons for the original units, but indicated sales were up in excess of 20% over the previous year.

"We've not been in a position where we have a mature store," he explained, adding that though it was difficult to really estimate potential sales, he could foresee a day when Home Depot might gross up to $30 million a store.

He stated that the chain's goal was to generate "a return on equity of better than 25%" and that the management was prepared to drive down gross margins to stimulate volume and shoot for a seven-times turnover rate, compared to approximately six turns at present.

Fourth quarter results showed net income of $1,293,444 on sales of $30,245,280 vs. income of $638,211 on comparable sales of $19,208,762.

Goodbuys readies new Philly unit

PHILADELPHIA—Mr. Goodbuys is set to open its second unit here by July.

The three-store independent last month purchased Price-Rite Home Supply, a 15,000-sq.-ft. store in northeast Philadelphia. According to Steve Erlbaum, Mr. Goodbuys president, the existing store will be renovated to a total of 70,000 sq. ft.

Erlbaum said that his firm, which also operates stores in Union, N.J., and Baltimore, expects to open several more units in Philadelphia, with perhaps a third location ready for opening this year.

The increasing rate of expansion reflects the belief of Erlbaum and other Mr. Goodbuys principals that their chain has hit its stride, having established a niche for itself in certain categories and a prototype that can be replicated (*NHCN* Feb. 28).

While Mr. Goodbuys' management had been considering hiring a director of operations to handle the extra burden resulting from the expansion, purchase of Price-Rite has made that personnel move unnecessary for now, according to Erlbaum.

Instead, Price-Rite partners Sandy Roland and Alan Leibowitz will assume operational responsibilities at Mr. Goodbuys.

Both men worked with Erlbaum earlier in their careers.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $20 a year ($21 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 9, No. 8. Copyright© 1983 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10157. For change of address six weeks notice is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 9, No. 8 April 11, 1983

Southwest Forest abandons Ind.; selling last three Dunlap's stores

PHOENIX—Southwest Forest Industries is planning to withdraw from the Indiana markets where it entered home center retailing in 1970 in favor of expanding its Knox Lumber chain, possibly into the Sunbelt.

A company spokesman said Southwest Forest is seeking buyers for the last three Dunlap's Home Improvement Centers in Columbus, Madison and Seymour, Ind., after selling off its Dunlap's unit in Nora, Ind., to Payless Cashways (*NHCN*, June 7, 1982) and closing outlets in Muncie and North Vernon, Ind., late last year.

In its 1982 annual report, the company stated its "long-term strategy . . . to emphasize the cash-and-carry retail side of building products marketing."

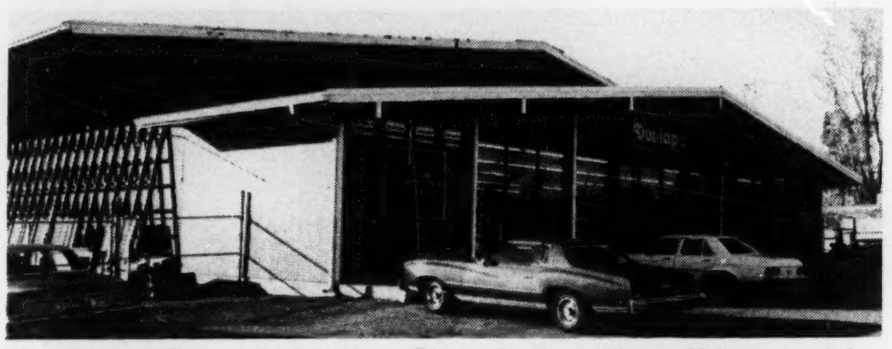
That strategy left Southwest favoring Knox, which did a large majority of its $70.6 million in 1982 sales with DIYers, over Dunlap's, which totaled about $20 million in volume, 40% on a cash-and-carry basis, in 1981 when it was operating all of its six units

Concerning the two Dunlap's units that were closed, the spokesman explained that the company felt it "could do better closing, liquidating the inventory and selling the real estate than to sell the units as ongoing businesses."

Overall, he said, it is the company's plan to exit from "weak markets, subject to cycles," and concentrate assets in better markets.

Southwest's plans with Knox, which it acquired late in 1980, were confirmed in its 1982 annual report when officials noted, "Building on the marketing and administrative expertise of Knox, Southwest plans to expand this chain of retail stores when economic conditions warrant, and is actively exploring potential markets in the Sunbelt."

Besides five stores in its home market of Minneapolis/St. Paul, Knox also operates single units in Duluth, Minn., Billings, Mont., Fargo, N.D., and Sioux Falls, S.D.



Southwest Forest Industries, Phoenix, is selling off its remaining three Dunlap's units in Indiana, in favor of expanding its Minneapolis-based Knox Lumber chain, possibly into the Sunbelt. NHCN photo

At home center industry conference:

Suppliers warned: Don't kill 'gold goose'

NEW YORK—Speaking at a home improvement conference here last month, Bernie Marcus, chairman of The Home Depot, implored manufacturers not to raise prices.

Marcus argued that it would be a mistake for suppliers to try to make up immediately all the losses they incurred during the recession.

His remarks were passionately delivered to a group of about 100 industry executives gathered at a two-day meeting sponsored by Frost & Sullivan, the research group. According to Marcus, several major manufacturers are poised to levy major price hikes.

"Don't kill the golden goose," he said. "Don't try to make back in one year what you've lost in three. The goose is going to lay a lot of eggs, believe me."

According to another conference speaker, Walter Loeb, vice president of Morgan, Stanley & Co., the goose may be particularly prolific in June or July. That is when Loeb expects the recent strong level of housing starts will be reflected in housing completions of similar magnitude. He added that increased home resale activity would then follow within a couple of months.

"I project two to three years of strong demand for do-it-yourself merchandise," said Loeb. "The do-it-yourself industry has captured investors' imaginations."

In response to a question, Loeb, who follows Sears as an analyst, said he expects 50 to 100 Sears Paint and Hardware stores to be opened this year, not six as the company had announced.

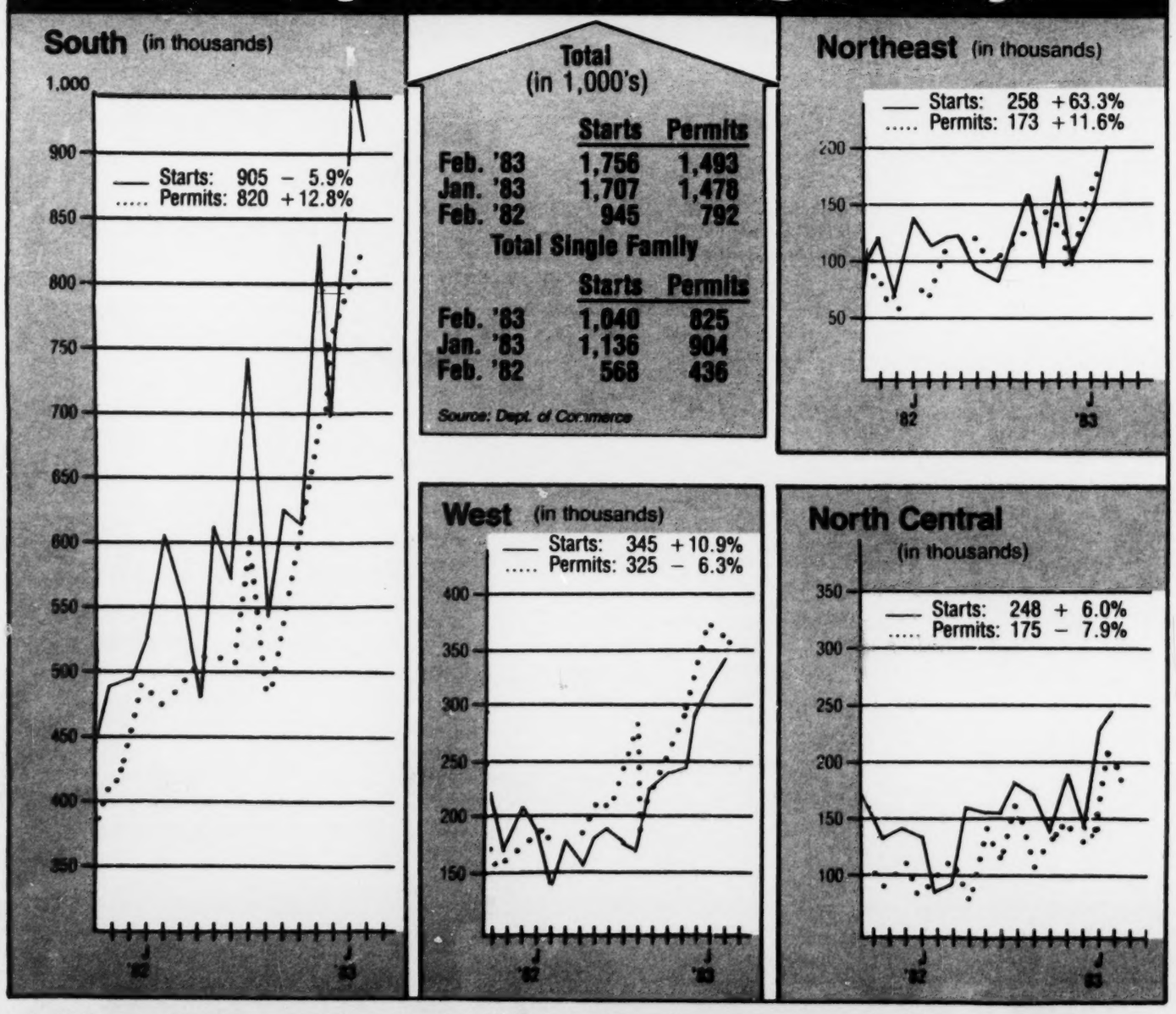
"I would not be surprised to see Sears try larger home improvement stores," Loeb also remarked.

Although he did not say exactly when such a move might occur, Loeb noted it would be consistent with what he called Sears' current "specialty craze."

John Parsons, Sears home

(Continued on page 38)

February home-building activity



February housing numbers surprised the experts, who generally expected a decline from January's 1.716 million total seasonally adjusted starts. Instead, 1.756 million seasonally adjusted starts were reported for February. While unusually warm weather and the statistical aberrations had been mentioned as possibly contributing to January's strong showing, February's weather was relatively poor nationwide. Also, single family starts were off in February, on a seasonally adjusted basis, but they still remained above one million.

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SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Hechinger	1/29-4th qtr. 1/29-Year	$ 56,421 241,261	$ 46,594 210,619	21 15	$ 3,718 11,744	$2,427 8,586	53 37
Hines Lumber	12/31-4th qtr. 12/31-Year	48,372 180,533	43,502 195,726	11 – 8	– 1,346 –31,511	–1,869 –5,836	— —
Lowe's	2/26-4 Wks.	69,600	46,700	49	—	—	—
Payless Cashways	2/26-1st qtr.	133,061	90,738	47	3,144	1,377	128
Scott's	1/29-4th qtr. 1/29-Year	5,800 28,000	5,100 19,000	14 47	11** 355**	– 734** – 207**	— —
Scotty's	2/26-4 Wks.	28,666	24,129	19	—	—	—

*$ in thousands
**operating earnings

Lowe's volume climbs by 50% during February

NORTH WILKESBORO, N.C.—Growing strength in the builder market and continuing growth in retail sales helped produce a 49% rise in total volume at Lowe's during February despite nearly two weeks of inclement weather in the period, officials reported.

During the four-week period ended Feb. 26, contractor sales rose 56% to $37.6 million while retail sales gained 42% to $32 million compared to the same period in 1982. The result brought Lowe's volume for the month to $69.6 million.

46/54 mix

The 235-store chain's sales mix for the period was 46% retail volume and 54% builder business.

Pay 'n Save's board proposes 2-for-1 split

SEATTLE—Pay 'n Save's board of directors has proposed a doubling of authorized common stock to 20 million shares and plans to use the additional shares, in part, to grant a 2-for-1 stock split.

Pay 'n Save, parent for Ernst Home Centers and Von Tobel's in Las Vegas, Nev., currently has 5,500,921 common shares outstanding.

Annual meeting

The company's stockholders will be asked to approve both the increase in authorized shares and the stock split at the Pay 'n Save annual meeting on April 28.

STOCK PRICES

	As of 3/16	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	42	42	19¾	162
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	15½	15⅞	4⅞	—
Forest City (AMEX)	20½	21	11¼	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	41⅞	43¾	28½	6
The Home Depot (NASDAQ)	31½	34½	23⅞	—
Lowe's (NYSE)	37⅛	38	13½	29
Pay 'n Save (NASDAQ)	42¾	45½	30⅞	—
Payless Cashways (NYSE) [Furrow]	48¾	50¾	15¼	24
Scotty's (NYSE)	17	21⅛	8	16
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	13¾	14¾	7¼	—

Over-the-counter stocks

	As of 3/16 Bid	As of 3/16 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	17	19	18	7½
Hechinger	26¼	26½	38½	12¾
Hines Lumber	19½	20½	20	13
Pay 'N Pak	23	23⅛	23¾	11⅝
Scotts Seaboard [Scott's]	1	2	2¼	⅝
Wolohan Lumber	7⅛	7⅞	7⅝	3

Scott's shows 4th quarter, year-end financial gains

LINTHICUM, Md.—Scott's, the 17-unit chain in the Baltimore/Washington area improved its operating results in its fourth quarter and fiscal year ended Jan. 29, company officials said.

Operating profit for the fourth quarter totaled $11,000 pushing earnings for the year up to $355,000, as compared to operating losses in the fourth quarter and fiscal year of 1982 of $734,000 and $207,000, respectively.

Fourth quarter sales rose about 14% to $5.8 million to help annual store volume reach $28 million, up almost 50% from a year ago. Officials said the yearly sales increase was primarily attributable to the addition of nine outlets since fall, 1981.

Scott's parent, Scotts Seaboard which also operates building products wholesaler Seaboard Plywood and Lumber, reported annual sales of $35.3 million and a net loss of $437,000, compared with sales of $25.8 million and a net loss of $590,000 in the previous year.

Officials cited adverse weather conditions in the early part of the fiscal year, increased interest expense of $436,000 associated with Scott's expansion, and a difficult economic environment as hindrances to fiscal 1983 performance.

They noted, however, that fourth quarter results were particularly promising as the company's net loss totaled $105,000 on sales of $7.8 million compared to a net loss for the period of $850,000 on sales of $6.6 million a year ago.

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NEW STORES

Home center companies have completed or plan the following store openings, additions or closings:

ALASKA

Pay 'n Save, Seattle, has acquired the **Soldotna Drug** and **Home Center, Soldotna,** and is operating it as a Pay 'n Save combination drug store/home center.

CALIFORNIA

Diamond International, Sacramento, has closed six stores, including units in **Galt, Pittsburg** and **Santa Rosa** based on a review of all its 100-plus stores. The closed outlets were shuttered due to a low potential for future growth.

FLORIDA

Scotty's, Winter Haven, has opened a replacement store in **DeLand** and plans to begin construction soon on a new store in the Gateway Mall, **St. Petersburg.**

MAINE

Diamond International has closed a store in **Norway.**

MASSACHUSETTS

Diamond International has closed a unit in **Middleton.**

Grossman's, Braintree, plans to construct a 32,000-sq.-ft. store in **Hanover.**

NEVADA

Diamond International has closed an outlet in **Reno.**

NEW HAMPSHIRE

Gerrity Building Centers, Meredith, plans to open a unit in **Tilton** at a former automobile dealership.

NEW JERSEY

Home Supply and Lumber, Hawthorne, plans to rebuild its store after an electrical fire recently damaged the facility. A spokesman said the new store will feature 6,000 sq. ft. of space and may be opened in June.

Channel Home Centers, Whippany, has opened its 42nd outlet in the state, a 40,700-sq.-ft. unit in a former Two Guys discount store in **Hackensack.**

NEW YORK

Pergament Home Centers, Melville, has opened a new store in **Bay Shore.**

NORTH CAROLINA

Hechinger, Landover, Md., has debuted its first units in North Carolina in **Winston-Salem** and two in **Charlotte.** The company now has 37 outlets overall.

C.P.S.C.

(Continued from page 10)

tion of pressed wood products was prompted by 2100 complaints which charged that particle board and plywood manufactured with urea-formaldehyde resins emit gases that are hazardous to the health.

In addition to consumer complaints that exposure to pressed wood products containing formaldehyde results in itching eyes, skin rash and nausea "many leading scientists have stated that formaldehyde" can cause cancer, Federal product safety regulators said.

Commission researchers must submit a preliminary formaldehyde exposure and risk assessment report on pressed wood products by September and make a recommendation within the following year as to whether voluntary or mandatory standards are warranted.

As part of its preliminary investigation the commission will be making "unannounced visits" to manufacturers to sample various wood products. The commission will also try to formulate alternatives available to pressed wood manufacturers for reducing formaldehyde emission from their products.

FUTURES

Two weeks ended March 18, 1983

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
March	185.00	165.80	169.00	169.80	25	209.80	146.80
May	194.40	183.80	191.50	184.20	5,207	209.50	151.50
July	204.60	195.60	203.80	195.80	2,127	217.60	158.00
Sept.	211.80	202.50	210.90	202.80	1,083	221.00	163.80
Nov.	214.50	205.60	213.30	206.00	1,225	221.70	168.00
Jan. '84	220.80	212.50	220.80	212.50	355	232.00	179.00
March	227.30	220.60	227.20	220.60	149	234.00	206.50

Total Contract Vol. (Through 3/18): 25,499 **Previous Two Weeks: 29,427**
Total Open Interest (As of 3/17): 10,190 **Previous Week: 9,802**
Cash Price: $179.34 **Previous Week: $175.42** **Year Ago: $133.28**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
March	199.80	194.80	198.70	196.80	41	212.00	162.50
May	203.30	198.60	202.30	201.00	634	216.20	167.00
July	207.70	203.00	206.80	205.50	716	221.00	170.00
Sept.	210.80	206.50	210.10	208.50	446	223.90	185.00
Nov.	213.30	209.20	212.50	210.50	135	226.60	206.50
Jan. '84	215.50	209.00	215.50	212.50	18	221.00	209.00

**Revised Contract.

Total Contract Vol. (Through 3/18): 1,844 **Previous Two Weeks: 3,409**
Total Open Interest (As of 3/17): 1,990 **Previous Week: 2,035**
Cash Price: $193.06 **Previous Week: $190.12** **Year Ago: $173.46**

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	236.8	235.2	251.7

CME—Chicago Mercantile Exchange CBT—Chicago Board of Trade
*Figures for Thursday, March 17.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

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In addition to premium quality products, Franklin has developed a national consumer rebate program which will generate more store traffic. In the April and May issues of Mechanix Illustrated and Family Handyman, Franklin will feature a $.75 rebate on the purchase of an 11 oz. cartridge of either Franklin's Silicone Caulk, Acrylic Latex Caulk (all colors), Clear Sealant, and Rubber Caulk (white, brown, clear). Or the consumer can purchase 3 cartridges of any of these caulks and receive a $3.00 rebate check! So team up with Franklin and make these fine products your choice too!

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Photo merchandising feature:
HAND & POWER TOOLS—pp. 13-24

National Home Center News®

Vol. 9, No. 9 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. April 25, 1983

U.S. tool makers under siege by high- and low-end imports

Imported lines spur aggressive promos of U.S. power tools

By John Caulfield
NHCN associate editor

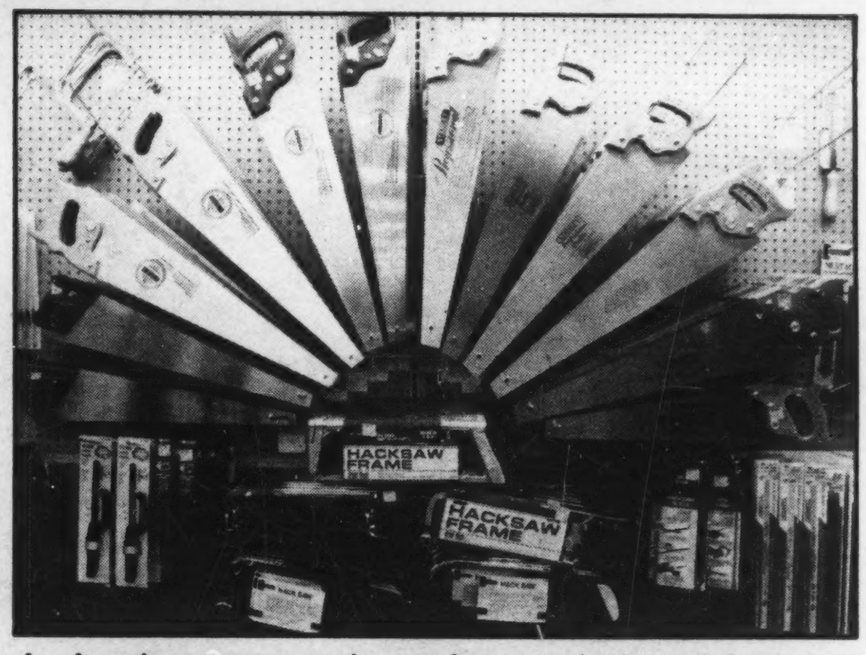
NATIONAL REPORT—The influx of imported power tools into the United States has sent domestic manufacturers scurrying to bolster their market shares by promoting better quality, higher priced tradesmen lines.

However, home center retailers, while conceding that the market for durable tools is growing, continue to question whether consumers are willing to pay as much as 40% more for heavy-duty equipment.

The disparate viewpoints appear to be setting the stage for a turbulent period for the nation's consumer power tool market.

American tool makers, feeling they can't afford the luxury of waiting any longer, are aggressively attempting to counter the remarkable impact that expensive, foreign-made tools have had in the United States. At least 15% of 1982's retail tool sales came from imports, according to manufacturing sources. American tool companies continue to dominate the low-to-middle end markets, but have faced stiff competition from foreign firms such as Makita, Ryobi, AEG and Bosch in the higher-end bracket.

(Continued on page 13)



As American power tool manufacturers look to defend their home center market share against higher end foreign equipment, United States hand tool makers are faced with the problem of competing with Asian and European producers whose merchandise is cheaper and, in some cases, of similar quality. See Merchandising Spotlight, page 17.

Denny sets sights on July 4th 'D Day' for chain's debut

By Ken Schept
NHCN senior editor

SAN ANTONIO—Home Centers of America, the warehouse-type operation being started by former W. R. Grace executives, expects to have two units opened here by Fourth of July, according to Frank Denny, chairman.

The former head of Grace's home center division predicted five to seven stores strung across the Sunbelt by the end of the first year.

Carrying about 35,000 to 40,000 sku's and $40 per square foot of inventory, the new company's stores will resemble the House Works chain recently opened by Grace in New Orleans.

A prospectus was filed with the Securities and Exchange Commission on March 28, and 800,000 units have been issued at $6.25 each. A unit consists of two shares and two common stock purchase warrants, essentially options to buy additional shares at $5 in the second and third year of the chain's operation.

Mature stores should do about $1 million per month in volume, Denny said. However, unlike other warehouse-type operations, the strategy is not necessarily to be the lowest in price.

Markets will be targeted that are not already dominated by strong Sunbelt competitors. In this sense, San Antonio, where Handy Dan was founded and continues to be a powerful force, is an exception to the young company's plans.

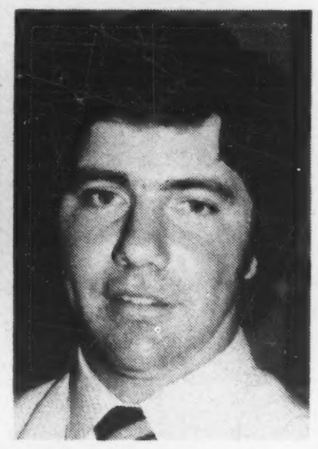
"It's a difficult market," said Denny. "It's not our objective to meet Handy Dan anyplace else if we can help it."

Two former Woolco sites were available in San Antonio and they will house 75,000- and 82,000-sq.-ft. units, with the latter also incorporating the chain's headquarters offices.

"San Antonio is kind of like home. And the opportunity with the Woolcos was here. I love to fight," Denny continued. "But I also love to win."

Like Denny, who was involved in the founding of Handy

(Continued on page 39)



An across-the-board, 20%-off discount is being tested at the La Puente, Calif., Homeowners DIY store; (inset)Hal Smith, president and ceo.

Homeowners DIY testing discount pricing formula

By Brad Altman
West Coast editor

LA PUENTE, Calif.—Homeowners DIY Centers has slashed its regular prices 20% at its store located in this Los Angeles suburb in a 90-day test of a discount pricing formula that will be instituted chainwide if judged successful by company officials.

The experiment will be implemented in Homeowners' four other stores by mid-July if La Puente's lowered prices can boost existing sales volume by 25% to 30%, officials said.

The decision whether to expand the low-margin, high-volume format chainwide will be made in late May, said Hal Smith, president and ceo.

"We'll open two to three new stores under the format by late this year if the La Puente experiment works," Smith said.

Smith said the new pricing strategy will inevitably be compared with the "warehouse-style" of merchandising now making inroads in the home

(Continued on page 42)

Distributors pursuing DIY sales despite home building comeback

WHOLESALER OUTLOOK

NATIONAL REPORT—For the first time in several years, wholesale distributors expect stronger sales not only from retailers selling to consumers but also from those dealers catering to contractors hoping to cash in on anticipated growth in the home building market.

However, most distributors said they were reluctant to greatly expand their inventories or product offerings, having gone through two rough years of cutting back on stock and personnel just to survive. It appears that wholesalers are looking to better define just who their customers are, and are adjusting their merchandise mix accordingly.

Many of those distributors meet in San Francisco this week at the National Building Material Distributors Assn. semiannual convention in a mood of optimism tempered with caution about whether the recovery in housing starts—and the economy in general—will result in their businesses showing sustained increases in sales and profitability.

Most predict modest sales gains and slight profitability for this year, while admitting that earnings have no place to go but up.

And while wholesalers are buying cautiously, they are buying. At the annual Builder Marts of America dealers show, $45 million of products were recently sold in 17 hours.

"The survivors in this industry are strong and lean and have identified that some of the market has moved away from them permanently," said C. C. Snyder, BMA director of purchasing. "So wholesalers are looking to make a new niche for themselves and have decided just how much retail or contractor business they can bite off."

One firm biting off more this year is Slaughter Bros., Richardson, Tex., which expects a 10% increase in volume.

The company has taken on certain products, like additional millwork and rail door stock, to accommodate contractors.

Overall, the wholesaler has expanded its nonlumber inven-

(Continued on page 42)

NEWSBREAKS

LOWE'S ADDS TO MANAGEMENT. Lowe's has created a senior vice president of merchandising position, to be filled by Robert Swanson, formerly national merchandise manager for building materials and home improvement products at Montgomery Ward.

CHANNEL VET TO HANDYMAN. After 13 years with Channel Home Centers, Whippany, N.J., Tom Vertetis, vice president and general merchandise manager, is leaving to become senior vp and gmm at Handyman, San Diego.

INSIDE:

HANDY ANDY'S NEW VP-GM is aggressively remerchandising the small Tucson, Ariz., based chain ..... Page 3
PAYLESS CASHWAYS unveiled its new 30,000-sq.-ft. prototype in Columbus, Ohio ..... Page 3
HOMEOWNERS SPENT SLIGHTLY more on upkeep during the 4th quarter of 1982, the Commerce Dept. reports ... Page 4

NHCNews Briefs

Industry Update

New pres. at American Maize

STAMFORD, Conn.—Richard R. Anglin has been named president of American Maize Products' building materials division replacing Fred Dill Jr.

Anglin previously served as president and general manager of Sherwin-William's store division and spent 20 years with Sears.

In his new role he will manage the more than 40 home centers American Maize operates in New York, Pennsylvania and Connecticut under the names Lloyd Lumber, Lloyd's of Pennsylvania, Buchanan Building Supply and Briggs Lumber.

Dill, the last of the original owners of Lloyd Lumber, Danbury, Conn., which was acquired by American Maize in 1979, resigned to pursue a political career. He now serves on the Brookfield, Conn., board of finance and plans to run for town selectman next November.

B & B introduces 'Bud Bee' logo

ST. LOUIS—Eclipse Industries here is buzzing with a new symbol for its circular advertising.

The company, which operates eight B&B Home Supply Centers, has "Bud Bee," a bee clad in painter's cap and overalls, urging customers to shop the stores.

"Our ad director, Ron Vivod, came up with the character about a month ago, and we thought it was outstanding," said chain merchandising vp Bruce Feinstein. "It's simple, it has the 'B&B' name in it, and gets our message across." In the text accompanying the new company symbol, customers are reminded of Eclipse stores' service and expanded product offering.

This is the first time the chain has employed a character to represent it in its advertising.

Crown Zellerbach closes sale

SAN FRANCISCO—Crown Zellerbach has completed the sale of its Canadian holdings, including its 32 home centers, to Fletcher Challenge Ltd. of New Zealand for $246 million in cash and notes (*NHCN*, Feb. 28).

The sale received Canadian government approval late last month and the deal was consummated about a week after the approval.

The transaction involves the sale of Crown's 84% interest in Crown Zellerbach Canada and 100% of the shares of North Pacific Steamship Co., the Bahamas, to Fletcher Challenge, which has interests in merchant banking and forest products along with 58 New Zealand home centers.

Lowe's executives to be honored

NORTH WILKESBORO, N.C.—Robert Strickland, Lowe's chairman, and Leonard Herring, the company's president, have been selected to be honored by the Hardware/Home Improvement Industry Council of the City of Hope on Aug. 16, during the National Hardware Show at the Conrad Hilton in Chicago.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $20 a year ($21 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 9, No. 9 April 25, 1983

HomeOwners Warehouse cloud crashes under stress; 9 hurt

By David Morgan
NHCN field editor

COCONUT CREEK, Fla.—Nine people were injured March 27 at the HomeOwners Warehouse store here when chains supporting a 15-ft. by 100-ft. ceiling cloud broke under the weight of the display.

According to local building and store officials, the ceiling cloud, containing 70 fans and 25 light fixtures, fell 10 ft. onto a sales floor stocked with electrical inventory. Eight customers and one employee standing near the display escaped with cuts and bruises. The most serious injuries were sustained by an 80-year-old woman who was admitted to a local hospital and released the next day.

Damages to inventory and the ceiling cloud itself were said to run in the thousands of dollars.

HomeOwners' president Pat Sher said the display collapsed just after noon, on a day when the store was featuring "aggressive" price reductions on ceiling fans. "I would guess that there were about 20 people in that section of the store," Sher said, "but [the cloud] came down in sections so there was time to get out of the way.

"It didn't fall directly on top of anyone," he added.

Sher ordered the 70,000-sq.-ft. store closed after learning of the accident. Building inspectors from the city's community development department, who arrived after the injured had been removed, stayed on the scene until early the next day. According to Sher, store employees still were able to clean up the debris and erect a temporary tree-like display by the time the store reopened for regular business hours later that morning.

No Effect

The Coconut Creek store, the first of two HomeOwners Warehouse units to begin operation by this summer, had its grand opening debut less than three weeks before the mishap occurred. Sher said news of the injuries had no debilitating effect on business, however. He would not elaborate on what the volume level has been, but indicated it was above expectations.

"It happened on a Sunday," the president said, "and the next Monday and Tuesday were the best we've had

In the meantime, Dennis Mele, the city's community development director, said an ongoing study of the accident and its causes shows that the cloud may have been stocked and suspended improperly. The official said preliminary reports point to violations of a permit amending the store's certificate of occupancy.

"One of our inspectors noticed the cloud back in January, and told the store owners they would need the engineer who designed the building to certify that the ceiling could support it," Mele recalled. "The engineer said the building could support the cloud if it met a certain design that called for a wooden grid, one strip of molding and up to 84 fans."

However, the community development director said the cloud ended up holding a prefab lighting display, facia boards, plywood sheets, an electrical conduit and electrical boxes. He said support chains also had not been fastened to either the cloud or ceiling joists in the manner prescribed by engineering specifications.

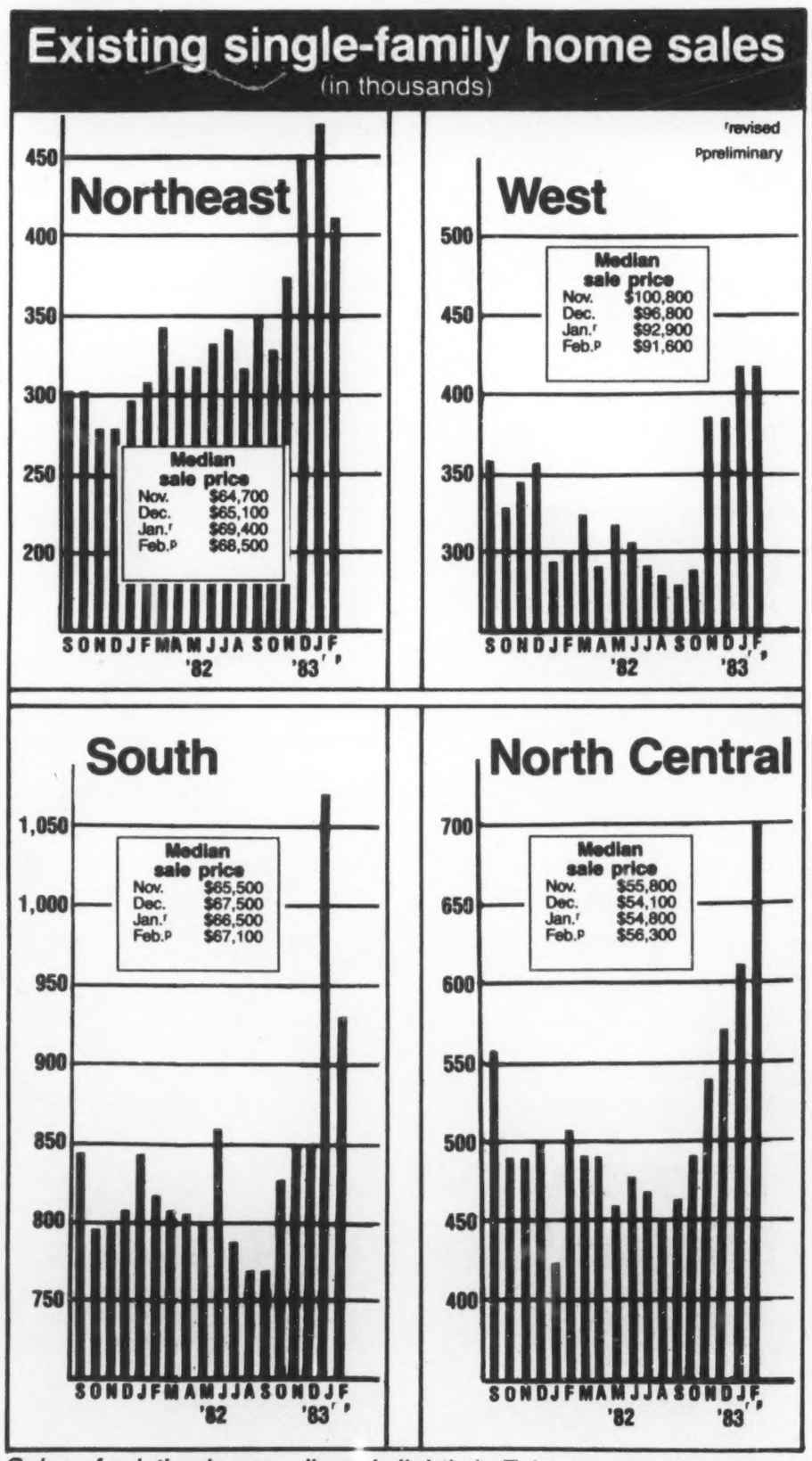
Mele released no further details, however, saying the matter is still under study.

Nine people were injured when a ceiling cloud displaying lighting products collapsed at this HomeOwners Warehouse, Coconut Creek, Fla., just three weeks after its grand opening. NHCN photo

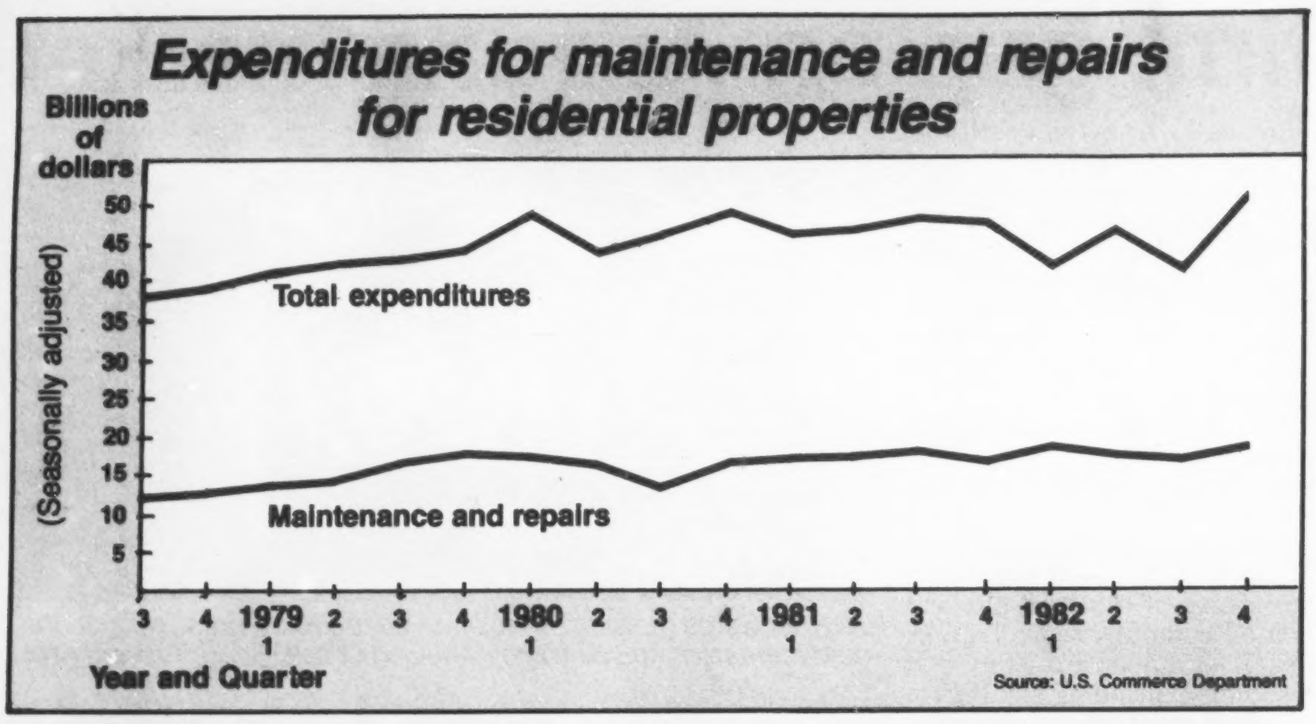
Sher could not be reached by presstime for his comment on the community development director's assertions. In an earlier interview, however, the HomeOwners' president said the ceiling cloud had been designed and installed by an outside contractor, whom he did not identify.

When asked to comment on potential liabilities, Sher said no complaints had been filed by injured parties but would not speculate on future possibilities.

"I know we are properly insured, so the company faces no direct loss," he surmised. "The insurance covers the display, the inventory and customer liability."



Sales of existing homes dipped slightly in February to a seasonally adjusted annual rate of 2.47 million compared with 2.58 million in January. February's rate was 24.1% ahead of the same month in 1982 and 32.8% above the cyclical low of 1.86 million recorded last August. According to the National Assn. of Realtors the annual rate is now firmly above the two million mark, indicating that the public views housing as becoming more affordable. During the last cycle, existing home sales peaked at an annual rate of 4.02 million in November 1978.



Upkeep spending climbs in 4th quarter

WASHINGTON—Overall expenditures for upkeep and improvement of residential properties were down 2% to $45.3 billion in 1982, but the fourth quarter showed a marked upturn with a 28% increase over the third quarter and a 13% improvement over the fourth quarter of 1981, according to Commerce Dept. figures released last month.

On a seasonally adjusted basis, fourth-quarter expenditures reached $51.9 billion. Actually expenditures for upkeep and improvement in the fourth quarter were $12.6 billion. Resident owners of properties with one to four units of housing spent 70% or $8.9 billion of that money.

Among owners of single family homes, painting projects accounted for far more upkeep dollars than the maintenance and repair of heating or air-conditioning, plumbing, roofing or siding. Owners of single-family homes spent $3.2 billion on painting in 1982.

In terms of improvement, single-family homeowners spent about twice as much on interior alterations compared to additions. A total of $8 billion was spent on interior alterations.

Roofing drew the most improvement dollars for replacement projects with $2.4 billion spent by owners of single-family homes in 1982.

Expenditures for additions and alterations, the largest category within the construction improvements breakdown, were $14.1 billion in the fourth quarter for all properties, compared to $9.9 billion in the third quarter and $13.5 billion in the fourth quarter of 1981. The figures are annualized and seasonally adjusted in 1977 dollars.

While the $16.8 billion spent on maintenance and repairs in 1982 was 5% above the $16 billion estimate for 1981, the increase was offset by a 6% decline in spending for construction improvements to $28.5 billion in 1982 from $30.3 billion in 1981.

Expenditures for upkeep and improvement of residential properties

(in millions of dollars)

Type of construction work	All residential properties 1981	1982
Total expenditures	46,351	45,291
UPKEEP		
Maintenance and repair	16,022	16,810
Heating and central air-conditioning	750	836
Plumbing	1,870	1,799
Roofing	1,574	1,324
Painting	5,576	5,734
Siding	620	665
Other	5,632	6,451
CONSTRUCTION IMPROVEMENT		
Additions, alterations and major replacements	30,329	28,481
Additions to residential structure	3,164	2,641
Additions and alterations on property outside residential structure	5,303	5,423
Alterations within residential structure	11,947	10,711
Heating and central air-conditioning	891	687
Plumbing	710	710
Remodeling	3,468	2,688
Other	6,877	6,625
Major replacements	9,915	9,707
Heating and central air-conditioning	2,028	1,707
Plumbing	1,838	1,748
Roofing	3,352	3,780
Siding	1,517	1,351
Other	1,181	1,119

Source: U.S. Commerce Department

While overall spending for upkeep and improvement of residential properties dropped 2% in 1982, the Commerce Dept. reported an uptick in spending in 1982's fourth quarter.

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DIY retailers targeted in I.T.C. probe

WASHINGTON—Two home center chains are among 22 foreign and domestic companies that have become the target of a U.S. International Trade Commission probe into alleged patent violations.

The investigation began Feb. 17, after the I.T.C. received a complaint from Newborn Bros. & Co. Inc., makers of the "Smoothrod Caulking Gun." The Columbia, Md., manufacturer claims that a gun identical to Smoothrod is being produced in Taiwan and Korea, and marketed among American retailers at prices 20% to 30% below normal rates.

Handy Dan, the W. R. Grace home center chain based is San Antonio, Tex., and Lowe's of North Wilkesboro, N.C., are among the retail companies who have been notified by the I.T.C. of its investigation.

Newborn Bros. has asked the Federal agency to issue both a temporary exclusion order prohibiting unbonded imports and a temporary cease and desist order. Newborn president Peter Chang said such action will help stop some importers from passing the Asian-made caulk guns off as Smoothrod products.

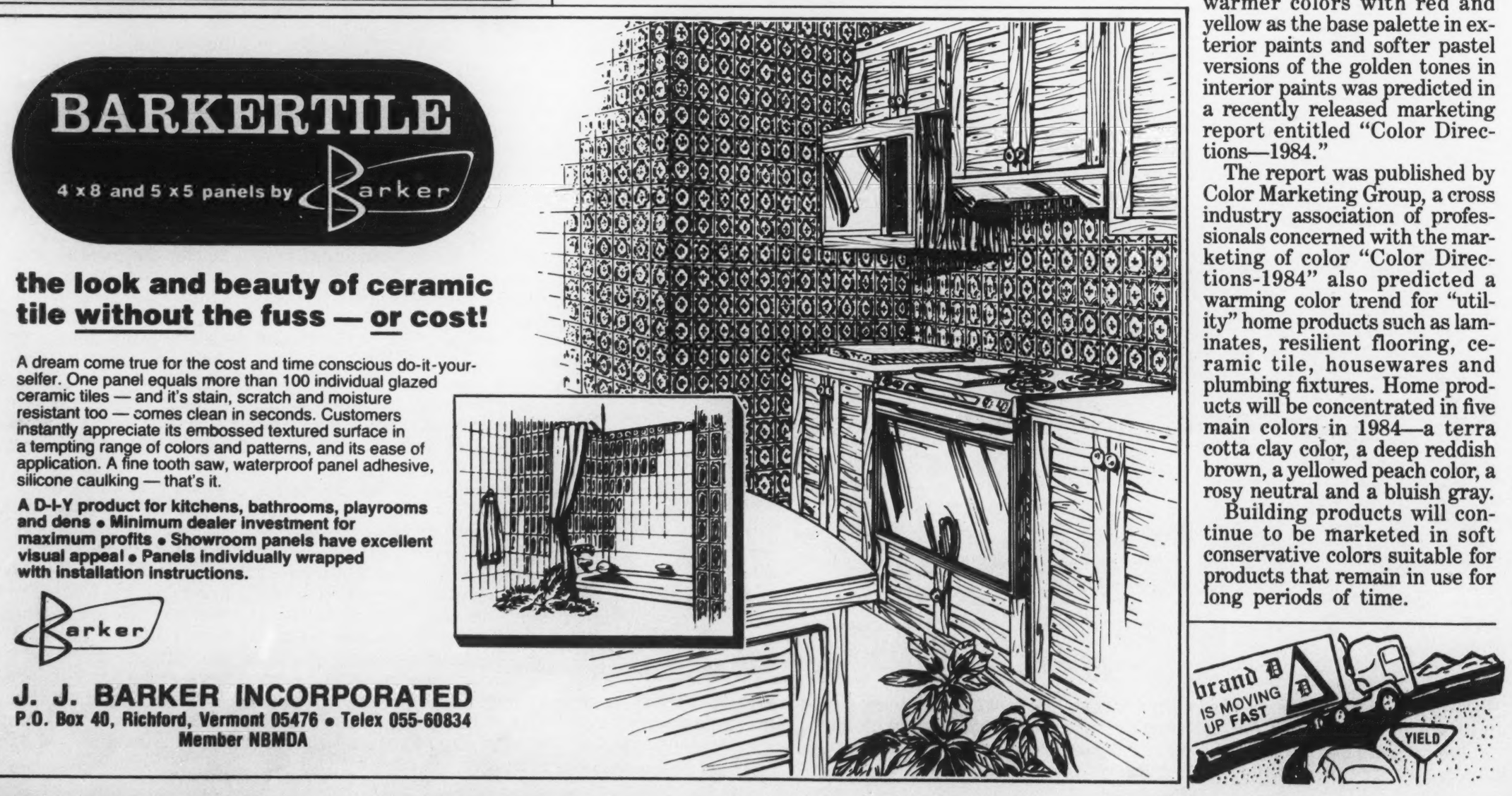
David Rabin, Lowe's trademark and patent attorney, meanwhile said the North Carolina chain's distributor has "taken over" the case on its behalf.

Color trends toward warmer, softer hues

WASHINGTON—A trend to warmer colors with red and yellow as the base palette in exterior paints and softer pastel versions of the golden tones in interior paints was predicted in a recently released marketing report entitled "Color Directions—1984."

The report was published by Color Marketing Group, a cross industry association of professionals concerned with the marketing of color "Color Directions-1984" also predicted a warming color trend for "utility" home products such as laminates, resilient flooring, ceramic tile, housewares and plumbing fixtures. Home products will be concentrated in five main colors in 1984—a terra cotta clay color, a deep reddish brown, a yellowed peach color, a rosy neutral and a bluish gray.

Building products will continue to be marketed in soft conservative colors suitable for products that remain in use for long periods of time.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HAND & POWER TOOLS

Power Tool Product Purchases

Number Purchasing—in millions (Per cent of U.S. Adults)*	1982	1981
Electric drill	6.1 (3.8%)	10.8 (6.8%)
Portable circular saw	3.1 (1.9%)	5.6 (3.5%)
Electric sander	2.9 (1.8%)	5.7 (3.6%)
Portable jig/sabre saw	2.4 (1.5%)	5.4 (3.4%)
Electric router	1.7 (1.10%)	NA (NA)
Stationary circular saw	0.9 (0.6%)	1.6 (1.0%)
Stationary radial arm saw	0.6 (0.4%)	1.3 (0.8%)
Stationary jig-sabre saw	0.5 (0.3%)	1.0 (0.6%)

*Total U.S. Adult Population: 159,453,000
Sources: Simmons Market Research Bureau; Frost & Sullivan
NHCN chart

Portable electric power tools continue to be purchased more frequently than stationary equipment, although it appears the consumer market for these products has dwindled—in some instances by more than 50%—according to market research involving over 15,000 adults conducted by Simmons Market Research Bureau and analyzed in a study released by Frost and Sullivan, the New York marketing firm.

Research classifies tool buyers: skilled workers, sometime DIYers

NEW YORK—The consumer market for power tools can be broken down into two major buying groups: the skilled blue-collar worker and the high-income professional who is an occasional DIYer.

A recently released study arriving at this conclusion also found that the customer base for this product grouping remains highly male-dominated, although more women than men appear to be purchasing radial arm saws. Other highlights in the study included findings that portrayed the South, judged against three other geographic markets, as the weakest for power tool sales.

The study was written for the market research firm Frost & Sullivan from data culled out of 15,029 interviews with adults in the Simmons Market Research Bureau's annual survey. This is the first time Simmons, an advertising and publishing market research concern, has allowed its information to be analyzed in this manner.

At a two-day meeting here last month, Frost & Sullivan summarized this data which are part of its 800-page consumer market study.

I. Michael Kadish, one of the study's authors, painted a picture of a power tool market that has, for the last two years, seen unit sales drop off close to 50%, and one that lagged behind the sales of most other hard lines.

Kadish noted that cost still remained one of the primary factors for most power tool consumers.

He went on to present detailed demographic information on six different power tool groups:

- The study showed that more than one-third of all electric drill sales came from the Midwest, and that close to 40% of all drill purchasers had household incomes of more than $30,000. It also appeared that buyers of this product group tended to conform with national averages in terms of how many children they had and length of stay in their current residences.
- About 55% of portable circular saw buyers were male, and 4 out of every 10 had household incomes of $30,000 or more. The product seemed to be more popular on the West Coast, and one-quarter of all buyers held jobs as professionals or managers. The average age group for circular saws fell in the 25 to 54 year range.
- The number of males and females owning an electric sander split right down the middle, with 40% of the total consumer universe for this product having attended college and one-fourth having a job as a professional or manager. Kadish indicated there was "definite movement toward the high-income bracket" in this product category, with 56% of all purchasers having household incomes of more than $25,000. He also noted that electric sanders were "very popular" in all geographic regions but the South.
- The portable jig-sabre saw market conforms most closely with the "typical" power tool buyer: close to 60% of all buyers are male, and skilled blue-collar workers make up 12% of total purchasers.
- Stationary equipment, in general, attracted a more upscale consumer, and this was true with stationary circular saws, 54% of which were purchased by men in the study. This product appeared to be very hobby-oriented: a good portion of the 41% of all purchasers who weren't working were thought to be retired, two-thirds of all buyers have lived in their homes for at least five years, and the biggest age group among all consumers questioned was 35 to 64. Most of the purchases were made in the Northeast and Midwest, and a full 70% of those having bought this product had incomes of at least $20,000.
- Radial arm saws were referred to by Kadish as "the ultimate upper income play toy." While they may not be comparable to a home computer, the radial arm saws did appear to attract a younger, more "upscale" consumer group: 51% of all buyers were women, he said; almost two-fifths were under 39 years old; 28% held professional or managerial positions, and close to 30% resided on the West Coast. Nearly 1 out of every 5 buyers of this product had a household income of $40,000 or more, and nearly two-thirds have lived in their homes for five years. However, Kadish said that radial arm saws appeared to be a "small town, suburban tool," with only 19% of all purchases made by city dwellers.
- Stationary jig saws attracted a strong male audience, with close to 50% of all buyers living in the suburbs. The group purchasing this product category was most predominant in the 35- to 54-year-old bracket, and 26% had a college degree, the highest percentage among all the power tool buyers surveyed.

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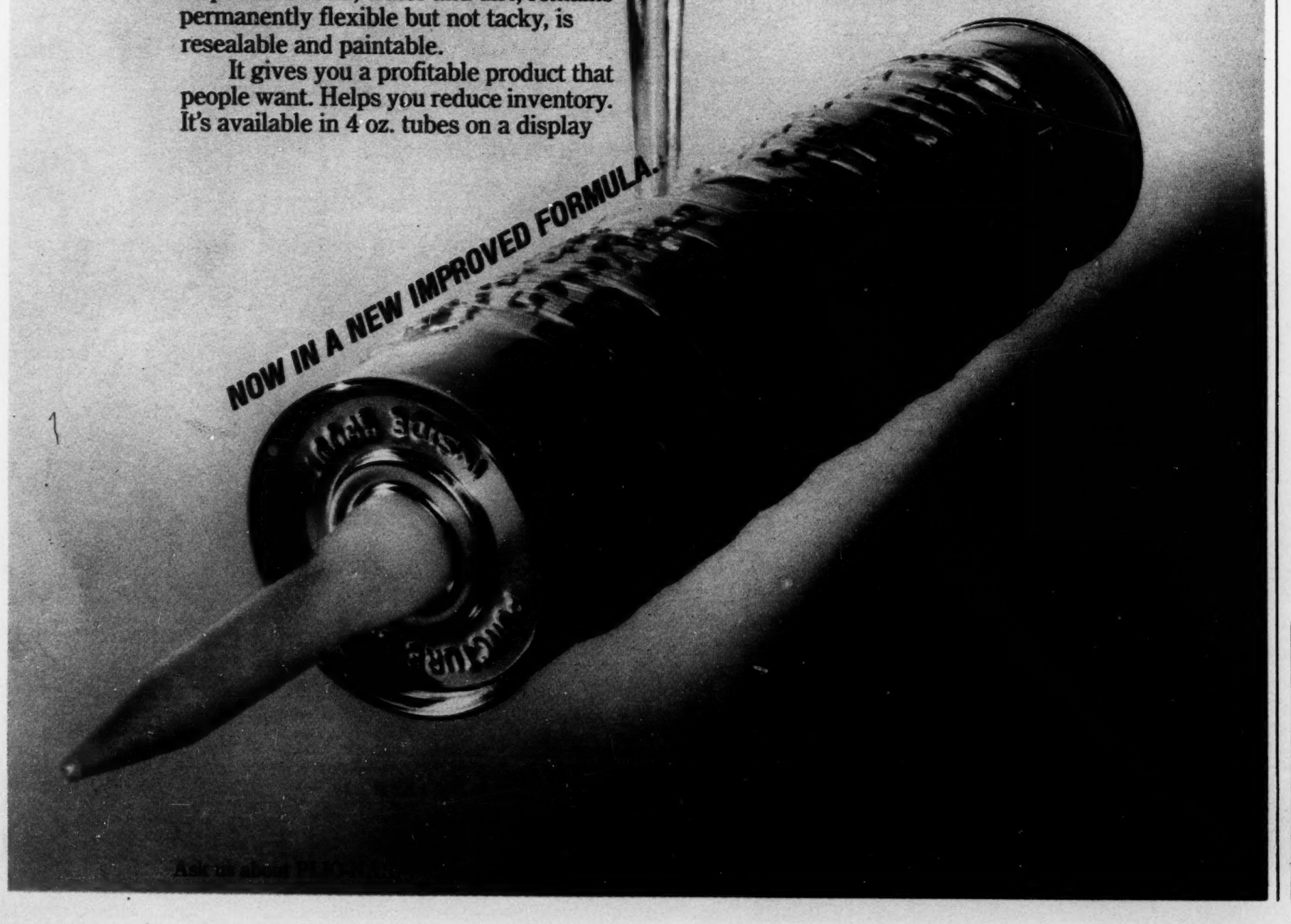
GOODYEAR CHEMICALS



PEOPLE

every issue in

National Home Center News

FUTURES

Two weeks ended April 1, 1983

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4s; $ per 1,000 bd. ft.							
May	190.40	183.30	184.60	184.80	5,157	209.50	151.50
July	205.50	196.60	197.70	198.00	2,767	217.60	158.00
Sept.	210.80	204.60	206.00	206.00	1,068	221.00	163.80
Nov.	213.60	208.60	208.90	209.30	1,185	221.70	168.00
Jan. '84	221.20	215.90	216.30	217.20	422	232.00	179.00
March	228.20	222.70	223.00	224.00	169	234.00	206.50
May	234.90	229.40	231.80	231.40	25	234.90	229.40

Total Contract Vol. (Through 4/1): 15,167 — **Previous Two Weeks: 25,499**
Total Open Interest (As of 3/31): 10,793 — **Previous Week: 10,234**
Cash Price: $175.42 — **Previous Week: $180.32** — **Year Ago: $133.28**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
May	197.90	192.40	193.50	197.00	730	212.00	162.50
July	202.00	195.60	197.30	196.50	769	216.20	167.00
Sept.	206.00	200.50	201.20	200.60	537	221.00	170.00
Nov.	209.40	203.50	204.40	204.10	167	223.90	185.00
Jan. '84	212.80	206.30	207.70	206.70	41	226.60	206.30
March	214.50	210.50	210.80	211.00	10	221.00	209.00

Total Contract Vol. (Through 4/1: 1,927 — **Previous Two Weeks: 1,844**
Total Open Interest (As of 3/31): 2,254 — **Previous Week: 2,083**
Cash Price: $181.30 — **Previous Week: $186.20** — **Year Ago: $167.58**

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, March 31.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

LUMBER REPORT

Softwood production is expected to increase 13% over last year

By Ken Schept
NHCN senior editor

NEW YORK—Total United States softwood production is expected to run 13.7% ahead of last year during 1983, according to the Western Wood Products Assn.

Schept

The figures are based on 1.4 million annual housing starts with the first part of the year averaging 1.3 million starts and the final quarters in the 1.5 million range.

The numbers were put together during February before the Commerce Department announced two consecutive months of annual rates of 1.7 million seasonally adjusted total starts. So it may be that production numbers could be even higher.

The WWPA's next outlook on United States softwood lumber supply and demand is not due until September, by which time we should all know whether January and February's numbers really signaled the end of the winter of our discontent.

At this point it can be said that the 24.9 billion bd. ft. of 1983 lumber production projected by the WWPA is good, but only in relative terms.

The WWPA uses 1979 as a base year for the purposes of establishing a normal production level. In each week during that year Western mills produced an average of 340,000,000 bd. ft. of lumber.

A total of 30.2 billion bd. ft. of softwood lumber was produced during 1979. Seen in this light, 1983 promises to be only 81% of normal. Still, that is up from last year which was 70% of normal with 21.9 billion bd. ft. of softwood lumber produced.

As Paul Smith, WWPA manager of economic services, put it, "When you look at the industry we've been sick. Now we're just ill."

Retailers have, of course, been concerned about the health of the forest products industry.

To a large extent, DIY sales have proven a superb palliative. It should be of interest then that the WWPA expects consumption of softwood lumber for repair and remodeling to increase in 1983 to 7.7 billion bd. ft. from 7.2 billion bd. ft. last year.

As a percentage of total softwood lumber consumption, however, repair and remodeling will be down to 31% in 1983 compared to 33% in 1982. This decline basically reflects the expected housing upturn. The portion of softwood lumber aimed at residential construction is expected to rise from an estimated 9.4 billion bd. ft. last year to 12.4 billion bd. ft. in 1983.

Lumber consumption for repair and remodeling as a percentage of total production is still up from 1979, however, when 27% or 8.1 billion bd. ft. of that year's 30.2 billion bd. ft. produced went into the R&R market.

Overall United States consumption of softwood lumber is expected to improve by about 12.5% to 33.1 billion bd. ft. this year from 29.4 billion bd. ft. in 1982, which was the worst year since World War II, according to the WWPA.

Actually the trough for consumption fell in the final half of 1981 and first half of 1982. Over a total calendar year, however, 1982's consumption was 2.3% below 1981's.

Along with the low level of home building during those years, softwood consumption was also hurt by the shift away from single-family home construction, which requires much more lumber than multifamily unit construction.

In terms of geographic regions and related species, the WWPA divides its figures for the Northwest into a coastal and inland region. Both areas are expected to show significant improvement this year.

Production of coastal softwood, which is about half Douglas fir, is projected to increase by about 18% to 6.7 billion bd. ft. in 1983. The next most-consumed coastal softwood is hem fir.

Consumption of inland wood is expected to rise by 15% to 7.8 billion bd. ft. About half of that should be ponderosa pine. Douglas fir and hem fir are also basic in that area.

The production of Southern pine is expected to rise by about 10% to 6.7 billion bd. ft. in 1983. Because of the strength of housing in the South last year, production in that region was up slightly from 1981, while overall production in the West was off 5.2% from 1981.

The WWPA arrives at its figures from a sample of 30 to 35 mills that represent about 60% to 75% of Western lumber volume, according to Smith. The sample mills send the WWPA copies of actual invoices recording lumber orders.

Figures for total Western supply and demand are extrapolated from the sample group. For Southern pine and other species, figures are obtained from relevant trade organizations.

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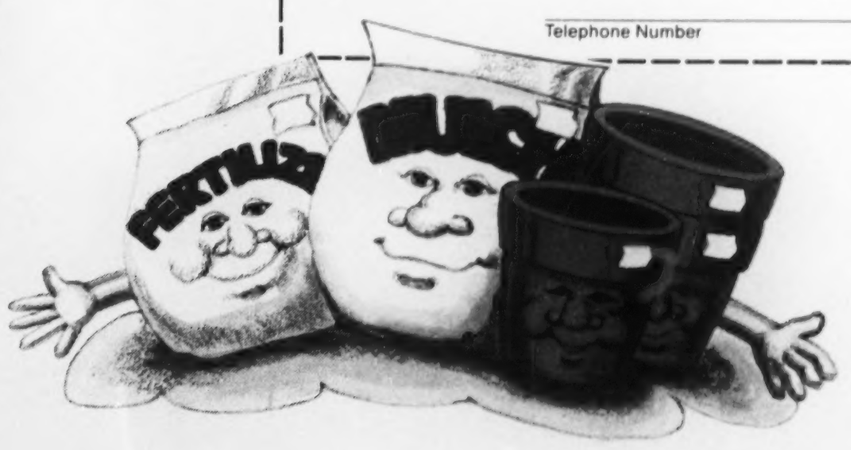

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FINANCIAL NEWS

Retail sales brighten a lackluster year for Hines Lumber

CHICAGO—Retail business, particularly do-it-yourself volume, was a bright spot in an otherwise lackluster year for Edward Hines Lumber during 1982.

While retail sales rose slightly above their comparable results in 1981 to $59,539,000 last year, consumer business, which accounted for about half of the retail sales, increased 14% from 1981 figures, according to Edward Hines, president and chief executive officer.

Continuing operations in retailing and wholesaling suffered a $3.9 million loss compared to a $1.2 million loss in 1981 as sales fell 8% to $180.5 million during the year, he noted.

The yearly results were brightened somewhat by modest improvements in the fourth quarter for continuing operations which showed a $1.3 million loss, slightly better than the year-ago period, on an 11% sales gain to $48.4 million.

Hines attributed the 1982 results, in part, to unusual costs associated with special severance payments in connection with a companywide cost reduction program, intensified planning efforts involving outside consultants, and special charges for increased bad debt and unrecoverable freight allowances. The total for these costs was about $1.4 million, much of which was charged off in the fourth quarter.

Continuing operations sales were down because of poor weather during parts of the year and depressed housing activity until late in the year, Hines said.

The company incurred a $31.6 million net loss for 1982 including a $19.9 million special charge covering estimated future charges in connection with its withdrawal from manufacturing and the sale of its sawmill operations.

Hines Lumber has recently completed the sale of mills in St. Anthony, Idaho, and Hill City, S.D., to bring the total sold to seven and total proceeds from all sales to almost $25 million, Hines said.

The company still owns four mills and some timber property which it hopes to sell.

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Erb Lumber	12/31-4th qtr.	$ 24,784	$ 25,189	– 2	$ 595	$ 542	10
	12/31-Year	97,182	118,142	– 18	807	2,055	– 61
The Home Depot	1/30-4th qtr.	30,245	19,209	57	1,293	638	103
	1/30-Year	117,646	51,542	128	5,315	1,445	268
Wickes	1/29-4th qtr.	673,314	814,219	– 17	– 15,926	– 256,335	—
	1/29-Year	2,638,215	3,517,208	– 25	– 248,682	– 258,253	—

*$ in thousands

STOCK PRICES

	As of 3/30	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	43	43½	19¾	165
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	14¼	15⅞	4⅞	—
Forest City (AMEX)	21	21⅛	11½	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	40⅝	43¾	28½	6
The Home Depot (NASDAQ)	31⅝	34½	6¼	—
Lowe's (NYSE)	38⅞	39⅜	13⅞	31
Pay 'n Save (NASDAQ)	46⅛	48¾	16⅝	—
Payless Cashways (NYSE) [Furrow]	51¼	55¾	16⅞	25
Scotty's (NYSE)	16⅜	21⅛	9	15
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	13¼	14¾	7¼	—

*$ in millions

Over-the-counter stocks

	As of 3/30 Bid	As of 3/30 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	18	19¼	18	7¾
Hechinger	27½	28	38½	13⅛
Hines Lumber	21	21½	21½	13
Pay 'N Pak	25⅞	26⅛	26¼	11⅝
Scotts Seaboard [Scott's]	1¼	2	2¼	⅝
Wolohan Lumber	8⅞	9	9⅜	3¼

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Erb shows quarterly gain but yearly profits plunge

BIRMINGHAM, Mich.—Modest profits from retail operations coupled with cost-cutting measures helped offset losses from Erb Lumber's builder business in 1982 and helped keep the company profitable during the period, chairman and president Fred A. Erb said in a letter to shareholders.

Erb Lumber's net income fell 61% to $807,000 on a sales decline of 18% to $97.2 million last year compared to 1981.

The fourth quarter indicated slightly improving economic conditions for the company as net income rose 10% to $595,000 on a sales decrease of less than 2% to $24.8 million.

Erb blamed 1982's unfavorable figures on depressed residential construction and the poor economy and noted that most building activity in Michigan came to a virtual standstill in the first three quarters of the year. Most of the company's units are in Michigan. Building activity in the area began to pick up somewhat in the final quarter.

Nonetheless, lumber and building material sales to builders in Michigan fell 34% last year and have declined 60% since 1979, Erb said.

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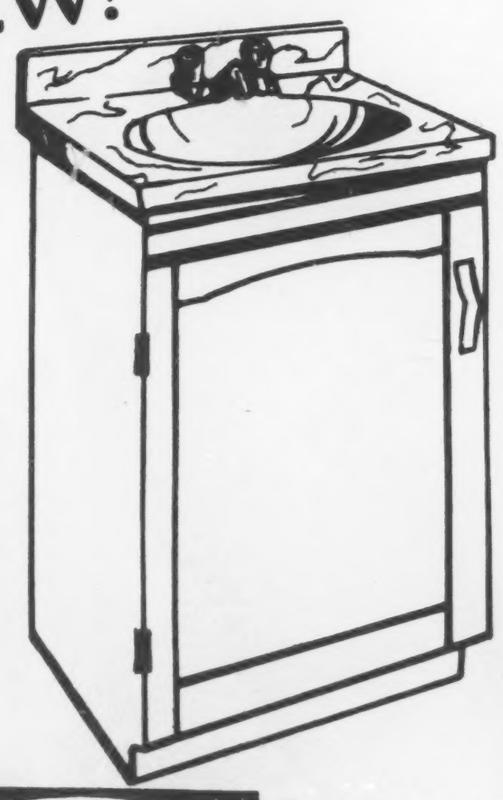

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Lowe's stock splits 5 for 3

NORTH WILKESBORO, N.C.—Lowe's issued a 5 for 3 stock split in the form of a stock dividend on its existing 21,750,000 common shares earlier this month.

The dividend brought the number of Lowe's common shares outstanding to more than 36 million.

The split was the seventh in the 235-store chain's history and officials noted that the firm has traditionally split its shares to keep their trading price within a popular range. Lowe's stock was recently selling in the $40-per-share range.

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The NHCN Annual Report on the Home Center Industry—PP. 15-67

National
Home Center News ®

Vol. 7, No. 10 — The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. — May 9, 1983

Posner replaces Orloff as chairman of Evans

PORTLAND, Ore.—Victor Posner is the new chairman of Evans Products, replacing Monford Orloff who retains the titles of president and ceo.

Posner's election culminates the Florida industrialist's effort to gain control over Evans. He now owns 43% of the company's stock.

An attempt to merge Evans with Sharon Steel, one of Posner's operations, ended April 14, when Evans' lenders rejected the final merger accord.

Instead, less than a week later, the Evans board of directors chose Posner as its leader.

In addition, the board installed Posner's son, Steven, as vice chairman and also named as directors two Posner associates, Martin Rosen, a lawyer and Donald Engel, an investment banker.

EVANS PRODUCTS COMPANY

These developments give Posner four representatives on a board of 16. At Evans' annual meeting next

(Continued on page 70)

Leading home center chains see heady 1st-quarter gains

NHCN staff roundup

NATIONAL REPORT—First-quarter sales rose dramatically compared to same period 1982 figures, according to an *NHCN* telephone survey of 20 leading home center companies. Ten chains, in fact, provided quarterly or monthly sales data showing average gains of 31%.

While these percentage increases resulted in part because of relatively weak first quarters last year, sales for many companies exceeded much stronger fourth-quarter results, an indication the industry is participating in the nation's economic recovery.

Contractor sales, stimulated by a reviving housing market, contributed significantly to these dramatic first-quarter sales gains.

At Lowe's, Scotty's, Evans Products, Wolohan Lumber, Star Lumber, O'Malley Lumber, Boise Cascade and Busy Beaver, a bigger chunk of their overall volume was generated by builder sales, compared with the same period a year ago.

DIY volume continued to grow for companies like Ernst, Handyman, Eclipse Industries, Payless Cashways, The Home Depot and 84 Lumber, whose first-quarter volumes leaped strongly ahead of 1982 figures.

The three-month sales performance was less spectacular for those companies—such as Weyerhaeuser, Diamond International, Hugh M. Woods and Knox Lumber—whose stores are in regions plagued by bad weather. These chains all blamed "seasonality" for the quarterly sales not being higher, but for many, sales in the first quarter exceeded same period revenues a year ago.

That the economy improved in the first three months of 1983 is, at least statistically, undeniable. Unemployment is still at a 10.1% rate, but inflation fell to an annual clip of only 3.2%; the Gross National Product—benefiting from an 84% increase in the annualized housing start

(Continued on page 70)

Home Depot to offer additional 1.5M shares of common stock

Seeks increase to 50M shares

By Kenneth Schept
NHCN senior editor

ATLANTA—The Home Depot has registered with the Security and Exchange Commission to offer an additional 1.5 million shares of common stock, which would bring the total of shares outstanding to 12,297,436.

The offering, which would increase equity capitalization from $18.3 million to over $51 million, is aimed at financing current expansion plans.

In addition, stockholders at the annual meeting, May 18, will be asked to approve an increase of authorized shares from 15 million to 50 million, apparently for possible future issue and company expansion.

Of the 1.5 million share offering, one million would be new and 500,000 would be sold from stock held by the company's top three officers.

Bernard Marcus, chairman, plans to sell 200,000 of his 1,140,674 shares. Arthur Blank, president, and executive vice president Patrick Farrah each intend to sell 150,000 of the 812,182 and 852,080 shares they hold, respectively.

This information is contained in a preliminary prospectus dated April 13, when Home Depot stock was selling for about $32 per share.

According to the prospectus, the money gained by the stock sale will be used to finance the six store openings previously announced for fiscal 1983; two stores in south Florida, two in the Tampa area and two in New Orleans.

Each unit is expected to cost $2.5 million for remodeling, fixtures, in-store computers, pre-

(Continued on page 70)

The warehouse challenge

Warehouse-type home centers have captured the attention of the industry as competitors study how to either compete against the higher volume operations or imitate them. NHCN *examines the warehouse formula, story page 15.*

INSIDE:

IMPROVED LUMBER PRESENTATION is the main ingredient in 15-unit O'Malley's remodeling recipe ..... Page 2
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NHCN's Top 100 post 5-year 120% DIY sales gain ..... Page 15
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Public companies show better financial results in 1982 . Page 61

The top 10: DIY sales per store

Rank	Store	No. of stores	DIY Sales per store (millions)
1	All American Home Center	1	20.00
2	The Home Depot	8*	14.70
3	Somerville Lumber	2	14.50
4	Sackett & Peters	2	10.00
5	Courtesy Home Centers	4	8.75
6	Lumberjack	7	8.43
7	National Lumber	12	8.17
8	Hubbard & Johnson	4	8.00
9	Dixieline Lumber	5	7.80
10	Menards	22	7.73

*excludes two stores opened last week of fiscal year ended Jan. 30

While stores operated by W. R. Grace, Evans Products and Payless Cashways made up a substantial portion of last year's total DIY industry volume, All American Home Center, two-unit Somerville Lumber, eight-store Home Depot and two-store Sackett & Peters led the industry in DIY sales per store last year.

NEWSBREAKS

CHANNEL MARCHES ON D.C. Channel Home Centers will open four stores in the Washington, D.C., market later this year in what is projected as a major expansion into the area.

NATIONAL TO EXPAND. National Lumber & Supply Inc., the 12-unit chain based in Santa Ana, Calif., said it plans to open six new stores in southern California within the next 14 months.

1982 Top 100 boost DIY sales by 37%

NATIONAL REPORT—All-American Home Center ranked No. 1 in sales per store; The Home Depot had the highest percentage gains in DIY and total sales; and 84 Lumber continues to be the largest chain in total units.

These and myriad other facts can be gleaned from the 1982 *NHCN* top 100 home center chart, which this year includes additional data on retail selling area, sku's and employees.

Last year, these companies had total sales of $14.7 billion, of which 76%, or $11 billion, came from consumer transactions—a 37% increase over 1981's combined DIY sales for the top 100. There were 4,178 stores operated by the top 100 companies in 1982.

However, while chains continue to dominate the industry, it was the smaller companies that appeared to generate the highest per-store volume. These stores were distinguished by having selling areas in excess of 40,000 sq. ft. and an sku count of 30,000 or more. Companies such as All-American ($20 million from one unit), Somerville Lumber ($14.5 million per store), Sackett & Peters, Lumberjack Stores, The Home Depot and Dixieline—all with 10 stores or less—were among the industry leaders in overall and DIY sales per store.

NHCN's Annual Report on the Home Center Industry begins on page 15.

It was The Home Depot's year in 1982, with its volume expanding 128% to $118 million, 100% of which coming from DIY purchases. And W. R. Grace's Angel's, the beneficiary of 13 southwest Handy Dan units that were added to Grace's newly consolidated western region, increased its volume on paper 80%.

However, the real surprises came from those companies whose past sales traditionally came from contractors. Spenard's, Alexander Lumber and Charles Meek Lumber ranked in the top 10 DIY sales gainers in 1982 (Lowe's ranked 11th), each with annual increases exceeding 30%.

Nevertheless, retail-oriented chains like Handy Andy, Goodman Lumber, Somerville, Scott's, American Maize and Williams Bros. all posted substantial percentage gains in their consumer businesses.

In terms of store count, 84 Lumber—the largest privately held company in the industry—led the way with 370. The chain also expanded the fastest, adding 20 stores last year. Evans Products, which includes the Grossman's, Lindsley, Alamo, and Hubbard & Johnson chains, followed with 341 units.

Accompanying data with the top 100 chart show that, over the past five years, combined sales among the top 100 companies have grown 75.6%, while DIY volume increased by a 120.6% clip over the same period.

NHCNews Briefs

Industry Update

Canadian tariff appeal nixed

WASHINGTON—The U.S. Coalition for Fair Canadian Lumber Imports last month lost another round in its attempt to have a tariff levied on Canadian wood.

The U.S. Court of International Trade on April 13 rejected the group's appeal of the Department of Commerce's ruling a month earlier, which turned down the request for an import duty.

The Coalition, made up of several hundred United States producers, has argued that its members have been hurt by unfair Canadian competition because, it alleges, the Canadian government subsidizes its timber industry.

A November ruling by the International Trade Commission determined that American producers suffered because of imported Canadian lumber. For a duty to be imposed, however, both injury and existence of a subsidy has to be proven. A final decision is expected in May, which the Coalition will have the right to appeal.

Payless splits stock 2-for-1

KANSAS CITY, Mo.—Payless Cashways, the 110-unit chain operating Payless Cashways, Furrow Building Materials and Lumberjack stores in 15 Midwestern Southwestern and Pacific Coast states, has announced a 2-for-1 stock split effective May 25.

The split, in the form of a 100% stock dividend to shareholders of record May 4, doubles the total Payless shares outstanding to 40 million. It was authorized by the eight directors re-elected at the annual meeting April 14.

The Board also declared a regular quarterly dividend on the new shares of 3¢ per share payable July 1, to shareholders of record June 7. In declaring the dividend Payless confirmed its previously announced policy of declaring dividends equal to 10% to 15% of prior year per-share earnings.

The company also increased the number of shares available for options under Payless' Employee Stock Option Plan from 100,000 to 300,000.

Payless Cashway stock was selling for 54¼ as this issue went to press in late April.

Hines sells Oregon holdings

CHICAGO—Edward Hines Lumber Co. has reached agreements regarding the sale of its lumber manufacturing properties in Oregon. Along with the expected sale of timber holdings in Mississippi, the Oregon agreements will substantially complete the sawmill divestiture program Hines undertook last summer.

One Oregon sawmill will be sold to Snow Mountain Pine Co., a division of Brown's Industries of Eagle, Idaho, which also owns Evan's Building Center, a home center in Eagle.

Judd DeBoer, president of Brown's Industries, said that the businesses are unrelated and that the purchase of the sawmill will in part replace a Riggins, Idaho, sawmill that burned down a year ago.

The Edward Hines company will sell three other Oregon sawmills to the John Day Lumber Co., a recently formed partnership between J. I. Morgan Inc., and J. I. Morgan Equipment Co., both of New Meadows, Idaho.

The closings of these sales are expected to take place within the next two months.

Edward Hines Lumber announced to its stockholders that proceeds from the Oregon sales, together with previously reported sales totaling about $25 million, will leave the company with about $15 million in cash reserves after payment of some related debt.

Stubbs named vp at Dixieline

SAN DIEGO—Paul Stubbs has been named merchandising vp at Dixieline Lumber, replacing Jim Inglis who left earlier this year to accept a senior merchandising position with Atlanta-based Home Depot. Stubbs formerly was an assistant vp and division merchandise manager at Handyman, the home improvement chain also based here.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $20 a year ($21 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 9, No. 10 May 9, 1983

More lumber displayed indoors at remodeled O'Malleys store

By Brad Altman
NHCN West Coast editor

MESA, Ariz.—The refurbishment of a 10-year-old O'Malleys Building Materials Center here marks a change in the 15-unit chain's expansion strategy.

Rather than build new units, the company this year plans to spend an unspecified amount on remodeling existing units. The program is aimed at boosting sales, particularly by improving lumber presentation.

The Greater Phoenix area—where most O'Malleys stores are located—is overstored, according to Paul Conley, manager of O'Malleys' retail sales division which posted $65 million in sales in 1982.

The number of Phoenix-area

(Continued on page 69)

O'Malleys is bringing lumber from the outside to the inside of the store, according to Paul Conley, manager, retail sales division.
NHCN photo

Court lifts formaldehyde ban

WASHINGTON—A Consumer Products Safety Commission ban on the sale of urea formaldehyde foam insulation was lifted last month by the U.S. Fifth Circuit Court of Appeals.

The restriction had been imposed following complaints by homeowners of illness after installation of urea foam insulation.

The court concluded that the scientific evidence presented by the C.P.S.C. regarding urea foam as a source of irritation and cancer in humans was not conclusive enough to warrant a total ban.

It attributed some of the problems with urea foam to faulty installation, rather than the product itself.

The decision was welcomed by the Formaldehyde Institute, a trade group that was among the petitioners who brought the suit against the C.P.S.C. The agency is expected to ask the court to review the matter.

An attorney connected with the case suggested that, while the court found problems with the C.P.S.C.'s methodology, it "also made it clear that it did not accept industry's view that there was no problem."

The C.P.S.C. may now ask the court what standard it would accept as a measure of urea foam's safety or danger, since it rejected the agency's approach.

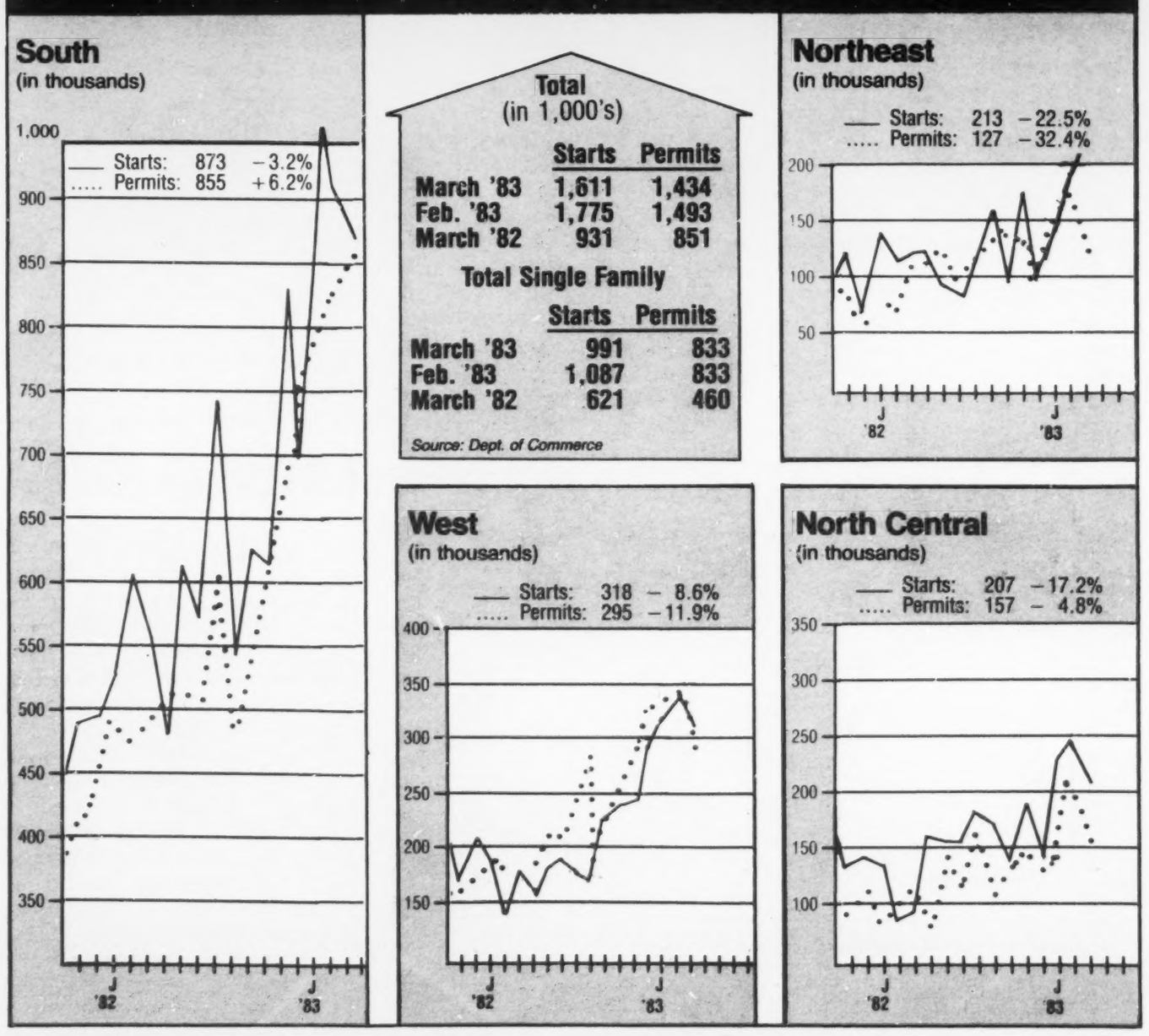
According to Allen Greenberg, staff attorney for Public Citizens Health Research Group, a nonprofit consumer organization that petitioned the C.P.S.C. to extend its ban to cover commercial buildings, the court was "looking unreasonably for precision that's not possible. The court was saying tell us exactly how many people are going to die. You can't do that."

In certain laboratory studies rats exposed to high levels of formaldehyde developed nasal cancer. What happens with low-level human exposure over time is apparently not as clear.

The Formaldehyde Institute, in a prepared release, said it would cooperate with the C.P.S.C. in developing a voluntary standard for installation.

According to Greenberg, such a standard is difficult to establish "because the problems of off-gassing can vary dramatically from installer to installer and house to house."

March home-building activity



March's seasonally adjusted housing starts, both total and single-family, were down from February. Total starts of 1.6 million were down 9.2% from the month before, while single-family starts were off 8.8% with 991,000 units built, on a seasonally adjusted basis. The drop was not completely unexpected, because of the change in factors used to calculate the seasonal adjustment. Actually 40% more units were built in March compared with February and 42.2% more single-family homes. A spokesman for the Commerce Department noted that a 50% increase in actual starts is common in a normal housing year.

Last year was far from normal for the housing industry and March's level of starts, while somewhat off from earlier in 1983, was 68.5% ahead of March 1982 for seasonally adjusted total starts and 81.1% ahead for single family.

THE NHCN ANNUAL REPORT ON THE HOME CENTER INDUSTRY

Warehouse formula challenging competitors

Execs weigh options: Beat 'em or join 'em

By Kenneth Schept
NHCN senior editor

NATIONAL REPORT—When John Hechinger addressed a group of security analysts in New York a few weeks ago, he was asked what his company would do if it were to meet The Home Depot head-to-head in the same market.

Hechinger admitted that the possibility had been considered and suggested that his mid-Atlantic chain, with stores of 60,000 sq. ft. carrying 40,000 sku's, could fairly easily adapt to a more warehouse-type approach.

O'Malley's executives, with stores of only 7,000-20,000 sq. ft., mostly in Arizona, are now remodeling all the units with one special consideration in the back of their minds. If a warehouse-type home center opens in one of their markets, general merchandise manager Steve Elliott said the refurbished stores were designed to be easily converted into wide-selection, low-price outlets, albeit in limited space.

At Payless Cashways too, the possibility of being up against The Home Depot has been debated many times.

Officials there see problems for Payless in such a confrontation. More significantly, they feel it is not just the Home Depot they have to consider. In the next five years they expect every big metropolitan market to have a warehouse-type operation.

Intrigued by the spectacle of Home Depot, which last year increased earnings 339% to $5.3 million on $117.6 million in sales, home center operators across the country are closely observing warehouse-type retailing in order to better run their own companies and defend against incursions by Home Depot and other warehouse firms now evolving from its example.

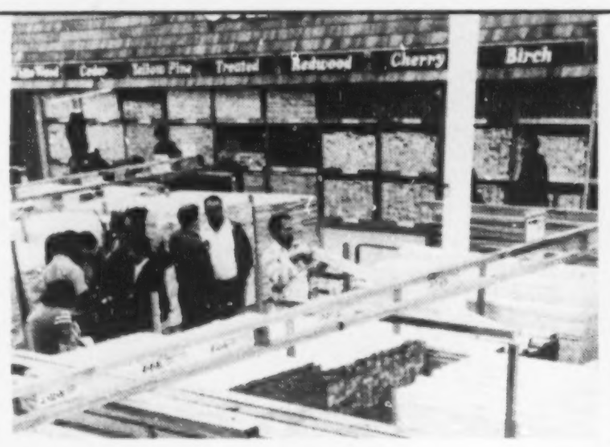
At the same time, manufacturers, who see mostly benefits from moving so much product in individual outlets, are examining ways to take better advantage of the increased cubic retail space available with the warehouse approach.

And entrepreneurs are being lured by the chance to reach, with only a few stores, the volume and therefore the buying power, of much larger chains. Home Depot outlets now average more than $14 million in annual sales, about four times the output of a typical home center unit.

So far, Pat Sher, former Linsley president, has opened HomeOwners Warehouse in south Florida, W. R. Grace introduced House Works in New Orleans and a group headed by Frank Denny, who recently resigned as head of Grace's home center division, is about to launch a new chain of warehouse-size and breadth in San Antonio.

Denny feels that the power of warehouse operations has yet to be proven in a market with really tough competition. Were a warehouse successfully challenged the results could be disasterous he said, because its low-margin formula requires high volume.

Despite the risk, discount operations have long been a successful retailing phenomenon, as has the warehouse approach. Recently, innovations like the Price Club and supermarket warehouses have caught the public's imagination. And high volume companies have long been a part of the home center industry. Sher mentioned National Lumber, Santa Ana, Calif., with stores averaging $10 million annually, as one of the retailers he observed before opening HomeOwners.



Warehouse-type retailing has captured the imagination of American DIYers in all cities where the outlets have so far appeared. Their sharp pricing and high volumes have home center executives thinking about how warehouse tactics can best be adapted or parried. Clockwise, from top, are examples of The Home Depot, HomeOwners Warehouse and House Works. NHCN photos

The difference today is that the off-price, warehouse concept never before stirred this kind of industrywide excitement, curiosity and apprehension.

Analyst Walter Loeb of Morgan Stanley called Hechinger's comments at the Wall Street meeting "a very revealing clue" that every company in the industry is at least looking at the warehouse approach.

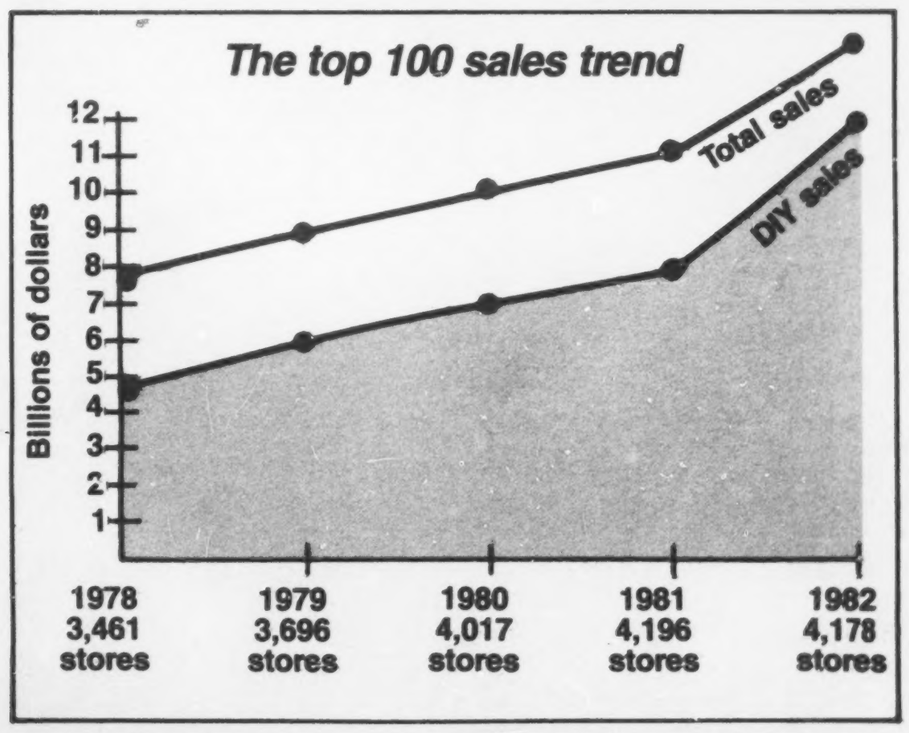
"Companies like Hechinger and Payless Cashways will be aware of the fact that they will have to be price competitive," said Loeb. "A company like Scotty's will have to rethink its entire operation. They were largely convenience stores.

"Most companies will look different in the next five years because of The Home Depot and what others are replicating."

Then just what is this new animal into which a segment of the home center industry has

(Continued on page 22)

NHCN's Top 100 post 120% DIY sales gain since 1978



In the five years between 1978 and 1982 the percentage of DIY sales to total sales in home centers increased from 61% to 76%. In fact, last year DIY sales alone, $11 billion, were greater than total sales five years ago, which amounted to $8.2 billion in 1978. Interestingly the total and DIY volume increases for 1982 essentially reflect same-store sales growth, since the industry store count dipped by 18 units to 4,178.

NATIONAL REPORT—In the last five years *NHCN*'s Top 100 home centers have increased sales by 76%.

Even more dramatic, the DIY volume grew by 120% between 1978 and 1982.

Combined with a 20% increase in stores from 3,461 to 4,178 during the same period, the Top 100 have also shown a rising sales per store average. In 1978 average sales per store were $1.4 million; in 1982 the figure was $3.4 million.

Last year was also the first time the Top 100 declined in number of stores. There were 18 fewer than in 1981, a contraction resulting from pressures of the recession. Total sales grew 3 2% to $14.50 billion, while DIY volume rose almost 37% to $11 billion.

These findings are part of *National Home Center News'* ninth annual report of the home center industry.

The report also evaluates the hottest trend of 1982: warehouse-type retailing, and considers the advantages and risks of that business and the influence high volume operators are having on the industry.

In addition, the issue measures the performance of last year's top 10 chains in several ways, including total and DIY sales, store count and sales per store.

The public companies are evaluated over five years and compared in net margin, sales per square foot, earnings per square foot, payroll costs to sales and inventory turns.

A view of wholesaling in 1982 is also provided, as well as a review of nine major merchandising categories and strategies chains used to increase turns.

The home center industry has changed substantially since the first *NHCN* Top 100 report in 1978. At that time the popular view was, "When times are good, business is good. When times are bad, business is better."

At that time Wickes ranked No. 1 in both total and DIY sales and also listed 330 stores, which was the greatest of any company. That year it was also the first to crack the $1 billion mark in sales.

When times became bad, however, Wickes' business did not get better. As it filed for Chapter XI last April, other chains were also retrenching. Evans Products, which ranked second in DIY volume, even had its retail division on the block in an effort to raise cash against its highly leveraged debt.

W.R. Grace, No. 1 in DIY volume, again tried to reorganize its home center chains into manageable regions. It also prepared to launch a new chain, House Works, in an effort to be on the cutting edge of the trend toward warehouse-type outlets.

W.R. Grace had already made its mark on home centers by 1978 after only two short years in the retail sector. The conglomerate ranked No. 2 in

(Continued on page 41)

THE NHCN ANNUAL REPORT ON THE HOME CENTER INDUSTRY

The *NHCN* Top 100

DIY Rank	Companies	DIY $ Volume (in millions) '82	'81	% change	Total $ Volume (in millions) '82	'81	% change	% Consumer Sales '82	'81	Number of Stores '82	'81	'83 (proj.)
1	**W. R. Grace,** New York (incl. Angels, Cashway, Channel, Handy City, Handy Dan, Orchard) 10,300 employed; Sku's: 30K avg./30,000K total; Selling area: 36.5K avg./10mil. total	**840**	754	+ 11.0	**875**	794	+ 10.2	**96**	95	**273**	264	297
2	**Evans Products,** Portland, Ore. (incl. Alamo Enterprises, Grossman's, Hubbard & Johnson, Lindsley, Moore's)	**695**	635	+ 4.0	**790**	756	+ 4.5	**88**	84	**341**	348	NA
3	**Payless Cashways,** Kansas City, Mo. 6,400 employed; Sku's: 13K avg./30K total; Selling area: 25K avg./2.5mil. total	**573**	455	+ 25.9	**603**	479	+ 25.9	**95**	95	**100**	100	118
4	**Lowe's,** North Wilkesboro, N.C. 7,400 employed; Sku's: 9.2K avg./19K total; Selling area: 3-15K/2.3mil. total	**569**	462	+ 23.2	**1,034**	888	+ 16.4	**55**	52	**235**	229	250
5	**Wickes Cos.,** Santa Monica, Calif. (incl. Wickes Lumber, Builders Emporium) 6,735 employed	**440**	575	− 23.0	**746**	1,045	− 29.0	**59**	55	**301**	340	NA
—	**Grossman's,** Braintree, Mass. (see Evans Products)	**383**	356	+ 8.0	**403**	387	+ 4.0	**95**	92	**199**	204	NA
—	**Wickes Lumber,** Chicago (see Wickes Cos.) 4,500 employed	**288**	418	− 31.0	**576**	890	− 35.0	**50**	47	**239**	278	NA
6	**84 Lumber,** Eighty Four, Pa. 2,500 employed	**360**	302	+ 19.0	**600**	550	+ 9.1	**60**	55	**370**	**350**	**400**
7	**Sutherland Lumber,** Kansas City, Mo. 2,500 employed; Selling area: 30-50K/3mil. K total	**296**	245	+ 21.0	**395**	350	+ 13.0	**75**	70	**75**	74	79
—	**Channel Home Centers,** Whippany, N.Y. (see Grace)	**260**	227	+ 15.0	**260**	227	+ 15.0	**100**	100	**91**	89	NA
8	**Hechinger,** Landover, Md. 3,700 employed; Sku's: 40K avg./40K total; Selling area: 20K-60K/1.4mil. total	**241**	211	+ 15.0	**241**	211	+ 15.0	**100**	100	**34**	31	41
9	**Scotty's,** Winter Haven, Fla. 4,000 employed; Sku's: 7K avg./10K total; Selling area: 32K-50K/3.5mil. total	**237**	206	+ 15.0	**308**	294	+ 5.0	**77**	70	**98**	83	105
—	**Handy Dan,** San Antonio (see Grace)	**230**	258	− 11.0	**230**	272	− 15.0	**100**	95	**78**	69	NA
10	**Ernst Home Center,** Seattle 1,900 employed; Sku's: 30K avg./30K total	**230**	230	0.0	**230**	230	0.0	**100**	100	**68**	76	69
11	**Rickel Home Centers,** South Plainfield, N.J. 2,950 employed; Sku's: 30K avg./30K total; Selling area: 30K-50K; 1.7mil. total	**230**	187	+ 23.0	**230**	187	+ 23.0	**100**	100	**34**	31	36
12	**Handyman,** San Diego (incl. Homer's)	**200**	205	− 2.0	**200**	205	− 2.0	**100**	100	**80**	80	NA
13	**Ole's Home Centers,** Pasadena, Calif.	**188**	160	+ 17.5	**188**	160	+ 17.5	**100**	100	**33**	32	37
14	**Pay 'N Pak,** Kent, Wash. 1,264 employed; Sku's: 11K avg./11K total; Selling area: 12K-56K/2.1mil. total	**187**	181	+ 3.0	**187**	181	+ 3.0	**100**	100	**98**	88	105
15	**Central Hardware,** Bridgeton, Mo. 2,500 employed; Sku's 40K avg./45K total; Selling area: 45K avg./1.3mil. total	**180**	170	+ 5.9	**180**	170	+ 5.9	**100**	100	**30**	29	31
16	**Menards,** Eau Claire, Wis.	**170**	154	+ 10.0	**200**	181	+ 10.0	**85**	85	**22**	21	NA
—	**Builders Emporium,** Irvine, Calif. (see Wickes Cos.) 2,235 employed	**167**	152	+ 9.7	**170**	155	+ 9.9	**98**	98	**62**	62	NA
17	**Pergament Home Centers,** Melville, N.Y.	**160**	125	+ 28.0	**160**	125	+ 28.0	**100**	100	**40**	42	46
18	**Boise Cascade,** Boise, Idaho 34,000 employed; Sku's: 10K avg./total NA; Selling area: 15-17K/total NA	**155**	153	+ 1.3	**310**	326	− 4.9	**NA**	47	**93**	96	93
—	**Lindsley,** Miami (see Evans Products)	**134**	125	+ 7.2	**134**	125	+ 7.2	**100**	100	**43**	43	NA
19	**West Building Materials Centers,** Atlanta 1,700 employed	**118**	113	+ 5.0	**157**	150	+ 5.0	**75**	75	**64**	65	66
20	**The Home Depot,** Atlanta 1,100 employed; Sku's: 25K avg./25K total; Selling area: 63K-82K/700K total	**118**	52	+128.0	**118**	52	+128.0	**100**	100	**10**	8	16
21	**Forest City,** Cleveland 2,000 employed; Sku's: 30K avg./30K total; Selling area: 59K avg./1.3mil total	**114**	109	+ 5.1	**117**	110	+ 6.4	**98**	99	**21**	21	21
—	**Handy City,** Atlanta (see Grace)	**114**	95	+ 20.0	**114**	95	+ 20.0	**100**	100	**48**	53	NA
—	**Moore's,** Roanoke, Va. (see Evans)	**112**	95	+ 18.0	**160**	149	+ 7.0	**70**	64	**86**	87	NA
22	**McCoy's Building Supply Centers,** San Marcos, Tex. Selling area: 15K-18K/600K total	**103**	80	+ 29.0	**129**	100	+ 29.0	**80**	80	**38**	33	50
23	**National Lumber,** Santa Ana, Calif. 850 employed; Sku's: 35K avg.; Selling area: 45K avg./540K total	**98**	90	+ 8.8	**98**	90	+ 8.8	**100**	100	**12**	11	13
—	**Angels,** City of Commerce, Calif. (see Grace)	**90**	50	+ 80.0	**90**	50	+ 80.0	**100**	100	**27**	28	NA
24	**Lanoga,** Seattle (incl. Lumberman's of Washington, Spenards, United Building Centers) 1,500 employed; Sku's: 6K avg./12K total; Selling area: 1K-17K/610K total	**87**	76	+ 14.0	**218**	185	+ 18.0	**40**	41	**122**	117	132
25	**Diamond International,** Sacramento, Calif. 1,366 employed; Sku's: 10K avg./10K total	**80**	78	+ 2.3	**228**	277	− 17.7	**35**	28	**119**	124	100
26	**Hugh M. Woods,** Denver	**77**	68	+ 13.0	**86**	76	+ 13.0	**90**	90	**12**	12	15
—	**Orchard Supply,** San Jose, Calif. (see Grace)	**75**	59	+ 27.0	**101**	78	+ 29.0	**74**	76	**17**	14	NA
27	**Erb Lumber,** Birmingham, Mich. 750 employed; Sku's: 7K avg./9K total; Selling space: 5K-20K/420K total	**73**	77	− 5.0	**97**	118	− 18.0	**75**	65	**35**	36	35
—	**Cashway Home Improvement Centers,** El Paso, Tex. (incl. Allwoods) (see Grace)	**71**	65	+ 9.0	**80**	72	+ 11.0	**89**	90	**12**	11	NA
28	**Great Plains Supply,** St. Paul, Minn. 1,000 employed; Sku's: 8K avg./10K total; Selling area: 1.5-7.5K/222K total	**63**	70	− 10.0	**90**	100	− 10.0	**70**	70	**101**	116	100
29	**Busy Beaver,** Pittsburgh	**65**	59	+ 10.2	**76**	69	+ 10.1	**85**	85	**30**	28	32

The *NHCN* Top 100

DIY Rank	Companies	DIY $ Volume (in millions) '82	'81	% change	Total $ Volume (in millions) '82	'81	% change	% Consumer Sales '82	'81	Number of Stores '82	'81	'83 (proj.)
30	**Wolohan Lumber,** Saginaw, Mich. 457 employed; Sku's: 7K avg./15K total; Selling area: 12K-24K/422K total	60	51	+ 18.0	89	89	0.0	67	57	32	34	35
31	**Lumberjack,** Sacramento 700 employed; Sku's: 30K avg./60K total; Selling area: 26K-38.5K/205K total	59	54	+ 9.0	65	60	+ 8.0	90	90	7	6	7
32	**Handy Andy Home Improvement Centers,** Gurnee, Ill. 900 employed; Sku's: 32K avg./32K total; Selling area: 28K-85K/500K total	59	39	+ 51.0	60	40	+ 50.0	98	98	11	9	13
33	**American Maize Products,** Stamford, Conn. (incl. Lloyd Lumber, Lundy-Briggs) 800 employed; Sku's: 12K avg./12K total; Selling area: 2K-73K/total, NA	56	40	+ 40.0	80	66	+ 21.2	70	66	39	43	38
34	**Southwest Forest Industries,** Phoenix (incl. Dunlap's, Knox Lumber) 640 employed; Sku's: 18K avg./22K total; Selling area: 6K-28K/200K total	53	54	– 2.0	81	90	– 10.0	65	60	12	15	9
35	**Valu Home Centers,** Buffalo, N.Y.	53	43	+ 23.3	53	43	+ 23.3	100	100	12	11	13
—	**Knox Lumber,** St. Paul, Minn. (see Southwest Forest) 600 employed; Sku's: 20K avg./22K total; Selling area: 23K avg./216K total	53	52	+ 2.0	70	69	+ 1.0	75	75	9	9	9
36	**Neiman-Reed's Lumber City,** Sherman Oaks, Calif. 750 employed; Sku's 22K avg./23K total; Selling area: 28K-45K/520K total	52	48	+ 8.0	55	50	+ 10.0	95	95	13	13	13
37	**Weyerhaeuser,** Tacoma, Wash. (incl. Dixieline Lumber, Everitt Lumber)	51	46	+ 10.9	100	95	+ 5.3	51	48	10	10	NA
—	**United Building Centers,** Winona, Minn. (see Lanoga)	50	48	+ 5.0	84	80	+ 5.0	60	60	108	109	NA
38	**Carter Lumber,** Kent, Ohio	47	48	– 2.0	78	80	– 3.0	60	60	130	130	NA
39	**Homecrafters,** Pelham, Ala. 906 employed; Sku's: 12K avg./12K total; Selling area: 14.5K avg./547K total	45	52	– 12.8	89	100	– 10.5	50	52	49	49	49
40	**Lampert Lumber,** St. Paul, Minn. 600 employed; Sku's: 10K avg./30K total; Selling area: 2.5K-17K/456K total	42	46	– 9.0	65	70	– 7.0	65	65	48	48	48
41	**Foxworth-Galbraith Lumber,** Dallas 450 employed; Sku's: 20K avg./30K total	42	35	+ 20.0	70	70	0.0	60	50	49	49	49
—	**Dixieline Lumber,** San Diego (see Weyerhaeuser)	39	34	+ 15.0	70	65	+ 8.0	55	52	5	5	NA
42	**Copeland Lumber Yards,** Portland, Ore. 500 employed; Selling area: 3K-6K/385K total	38	30	+ 27.0	75	75	0.0	50	40	77	77	77
43	**Goodman Lumber,** San Francisco Selling area: 62.5K avg.	37	28	+ 32.0	37	28	+ 32.0	100	100	5	5	5
44	**Stambaugh-Thompson,** Youngstown, Ohio 609 employed; Sku's: 15K avg./15K total; Selling area: 20K-34K/421K total	37	34	+ 8.0	37	34	+ 8.0	100	100	17	17	20
—	**Lloyd Lumber,** Danbury, Conn. (see American Maize) 465 employed; Sku's: 12K avg./12K total; Selling area: 2K-73K/total, NA	35	28	+ 25.0	50	37	+ 35.0	70	75	22	22	23
45	**Courtesy Home Centers,** Mount Prospect, Ill. 100 employed; Selling area: 45K-55K/200K total	35	33	+ 6.0	35	33	+ 6.0	100	100	4	4	5
—	**Alamo Enterprises,** San Antonio (see Evans)	34	29	+ 17.0	38	35	+ 9.0	90	83	9	9	NA
46	**Hill-Behan,** St. Louis 700 employed; Sku's: 10K avg./10K total; Selling area: 7K-30K/352K total	33	33	0.0	60	60	0.0	55	55	32	31	33
47	**Charles Meek Lumber,** Springfield, Mo.	33	25	+ 32.0	50	50	0.0	65	50	18	18	20
48	**Warners True Value,** St. Paul, Minn.	33	33	0.0	35	35	0.0	95	95	23	23	23
49	**O'Malleys,** Phoenix 300 employed; Sku's: 20K avg./20K total; Selling area: 18K avg./360K total	33	33	0.0	65	70	– 7.1	50	47	15	18	15
—	**Hubbard & Johnson,** San Carlos, Calif. (see Evans Products)	32	30	+ 7.0	55	60	– 8.0	58	50	4	5	NA
50	**Westlake Hardware,** Moberly, Mo. 355 employed; Selling area: 12K-42K/370K total	32	29	+ 10.0	35	30	+ 17.0	91	97	19	17	24
51	**Plywood Minnesota,** Minneapolis, Minn. 175 employed; Selling area: 25K-45K/260K total	31	31	0.0	31	31	0.0	100	100	13	20	9
52	**Peavey,** Minneapolis 700 employed; Sku's: 8K avg./14K total; Selling area:7K-65K/700K total	30	35	– 17.0	60	71	– 15.0	50	50	34	55	34
53	**Somerville Lumber,** Somerville, Mass. 315 employed; Sku's: 37K avg./37K total; Selling area: 37K-44K/81K total	29	21	+ 38.0	34	25	+ 36.0	85	85	2	1	3
54	**Homeowners Do-It-Yourself Centers,** Gardena, Calif. 400 employed; Sku's: 35K avg./40K total; Selling area: 25K-35K/160K total	28	23	+ 22.0	28	23	+ 22.0	100	100	5	4	7
55	**Edward Hines Lumber,** Chicago 300 employed; Sku's: 7.5K avg./9.5K total; Selling area: 7.7K avg./190K total	27	30	– 8.0	55	59	– 7.0	50	50	25	25	26
56	**Scott's,** Linthicum, Md. 400 employed; Sku's: 9K avg./9K total; Selling area: 19K-40K/375K total	27	18	+ 50.0	28	19	+ 32.0	95	95	17	17	17
57	**Chase-Pitkin,** Rochester, N.Y. 400 employed; Sku's: 40K avg./40K total; Selling area: 15K-45K/253K total	25	20	+ 24.0	27	26	+ 3.8	95	79	9	9	10
58	**Peter Kuntz,** Dayton, Ohio	24	29	– 17.0	48	48	0.0	50	60	26	29	26
59	**Church's Lumber Yards,** Utica, Mich. 200 employed; Selling area: 10K-25K/198K total	24	21	+ 14.0	32	32	0.0	75	67	11	11	11
60	**City Mill,** Honolulu 300 employed; Sku's: 20K avg./20K total; Selling area: 45K avg./171K total	24	22	+ 9.0	24	23	+ 6.5	98	95	4	4	5
61	**Eclipse Industries,** St. Louis (incl. B and B, Big E) 200 employed; Sku's: 101K avg.; Selling area: 20K-33K/170K total	23	19	+ 24.7	25	20	+ 25.0	95	95	6	8	7
—	**Spenard's,** Anchorage, Alaska (see Lanoga)	23	15	+ 53.0	112	100	+ 12.0	21	15	10	5	NA
62	**Walker-Kurth,** Houston 420 employed; Sku's: 20K avg./30K total; Selling area: 12K-20K/120K total	23	21	+ 10.0	45	40	+ 13.0	50	52	8	8	8

The *NHCN* Top 100

DIY Rank	Companies	DIY $ Volume (in millions) '82	'81	% change	Total $ Volume (in millions) '82	'81	% change	% Consumer Sales '82	'81	Number of Stores '82	'81	'83 (proj.)
63	**Braver Lumber,** Detroit (incl. Pine Lumber Cashway) Sku's: 8K avg./8K total; Selling area: 6K-10K/120K total	23	23	0.0	26	29	– 10.0	90	80	12	13	13
64	**Lampert Yards,** St. Paul, Minn.	20	20	0.0	40	40	0.0	50	50	38	42	38
65	**All American Home Center,** Downey, Calif. 250 employed; Sku's: 65K avg./65K total; Selling area: 140K	20	18	+ 11.0	20	18	+ 11.0	100	100	1	1	1
66	**Sackett & Peters,** Whittier, Calif. 150 employed; Sku's: 35K avg./35K total; Selling area: 35K avg./70K total	20	17	+ 18.0	20	17	+ 18.0	100	100	2	2	4
67	**Brewster's,** Providence, R.I. 200 employed; Sku's: 10K avg./10K total; Selling area: 17K avg./68K total	19	21	– 8.5	32	35	– 8.5	60	60	4	4	4
68	**T. H. Rogers Lumber,** Oklahoma City, Okla. 200 employed; Sku's: 10K avg./10K total; Selling area: 160K total	19	18	+ 6.0	29	29	0.0	65	65	32	32	33
69	**Z & L Lumber,** Pittsburgh	19	17	+ 12.0	22	20	+ 10.0	85	85	6	6	6
70	**Thurman Industries,** Kirkland, Wash.	19	17	+ 12.0	20	18	+ 11.0	95	94	9	9	10
71	**Gee Lumber,** Chicago 450 employed; Sku's: 35K avg./40K total; Selling area: 20K-60K/40K total	18	16	+ 16.0	25	24	+ 4.2	75	67	13	12	13-15
72	**Williams Bros. Lumber,** Atlanta 300 employed; Sku's: 13K avg.; Selling area: 11.5 avg./130K total	14	10	+ 40.0	30	25	+ 20.0	60	40	9	7	10
73	**Plywood Ranch,** Braintree, Mass. 200 employed; Sku's: 7K avg./10K total; Selling area: 7K-20K/300K total	18	17	+ 6.0	23	22	+ 5.0	95	95	28	28	28
74	**Samon's D-I-Y Centers,** North Salt Lake, Utah 205 employed; Sku's: 9K avg./13K total; Selling area: 12K-16K/160K total	18	18	0.0	20	20	0.0	90	90	14	13	14
75	**Anderson Lumber,** Ogden, Utah 350 employed; Sku's: 8K avg./10K total; Selling area:2K-40K/200K total	17	15	+ 13.0	50	50	0.0	33	30	21	21	23
76	**Curtis Lumber,** Ballston Spa, N.Y. 150 employed; Selling area: 7K-48K/97K total	17	15	+ 13.0	22	20	+ 10.0	75	75	6	6	7
77	**A. C. Houston Lumber,** Wichita, Kansas 325 employed; Sku's: 35K total; Selling area: 4K-40K range	17	19	– 12.0	48	48	0.0	35	40	12	12	13
78	**Star Lumber,** Wichita, Kan. 290 employed; Sku's: 20K avg.; Selling area: 16K-45K/25K total	17	19	– 10.0	37	38	– 2.6	45	49	3	3	3
79	**Budget Power,** Hopkins, Minn.	16	15	+ 7.0	18	17	+ 6.0	90	90	7	7	NA
80	**Levy's Lumber,** Louisville, Ky. 200 employed; Sku's: 15K avg./15K total; Selling area: 12K-60K/112K total	16	15	+ 7.0	16	15	+ 7.0	98	98	3	3	4
81	**The Paty Company,** Piney Flats, Tenn. 300 employed; Sku's: 16K avg./16K total; Selling area: 14K avg.	15	20	– 21.0	31	33	– 4.5	50	50	6	6	6
82	**Kindt,** Lomira, Wis. 250 employed; Sku's: 9K avg./9K total; Selling area: 15K-22K/312K total	15	15	0.0	30	30	0.0	50	50	6	6	7
83	**L-P Home Centers,** El Segundo, Calif.	16	15	+ 6.7	25	25	0.0	65	60	7	8	NA
84	**Mr. GoodBuys,** Philadelphia 110 employed; Selling area: 18K-35K; 73K total	15	12	+ 25.0	17	13	+ 15.0	90	90	3	3	4
85	**Causeway Lumber/Red Thumb Home Centers,** Fort Lauderdale, Fla.	14	16	– 13.0	36	39	– 8.0	40	40	4	4	4
86	**Lumberman's of Washington,** Shelton, Wash. (see Lanoga) Sku's: 15K avg./20K total; Selling area: 4K-10K	14	13	+ 10.0	22	20	+ 10.0	65	65	5	5	NA
87	**Strober Bros.,** Brooklyn, N.Y.	14	12	+ 16.7	40	35	+ 14.3	35	35	9	10	9
88	**Lezzer Lumber,** Curwensville, Pa. 75 employed; Sku's: 10K avg./10K total; Selling area: 7,500 avg./35K total	14	13	+ 8.0	20	22	– 9.0	70	60	4	4	5
—	**Lundy-Briggs,** Williamsport, Pa. (see American Maize)	14	17	– 17.6	20	29	– 31.0	70	60	15	21	NA
89	**Alexander Lumber,** Aurora, Ill. 250 employed; Selling area: 300-24,000	12	8	+ 50.0	40	40	0.0	30	20	60	60	60
90	**Fullerton Lumber,** Minneapolis 352 employed; Selling area: 1K-20K/512K total	12	13	– 8.0	31	33	– 6.0	40	40	65	70	60
—	**Everitt Lumber,** Fort Collins, Colo. (see Weyerhaeuser)	12	12	0.0	30	30	0.0	40	40	5	5	NA
91	**Bailey Lumber,** Bluefield, W. Va. 215 employed; Sku's: 11K avg./20K total; Selling area: 3K-9K/100K total	12	11	+ 9.0	20	19	+ 5.0	60	60	18	18	17
92	**TAPJAC,** Carthage, Mo. 175 employed; Sku's: 10K avg./45K total; Selling area: 4K-20K/110K total	12	10	+ 20.0	18	18	0.0	65	55	13	13	13
93	**Brown's Lumber,** Fairmont, W. Va. 100 employed; Sku's: 6K avg./7K total; Selling area: 10K-14K/72K total	12	11	+ 9.0	16	15	+ 7.0	73	73	7	7	7
94	**Builderama,** Savannah, Ga. 200 employed; Sku's: 19K avg./19K total; Selling area: 18K-41K/160K total	12	11	+ 9.0	14	14	0.0	85	79	5	5	6
95	**Lumber Headquarters,** Floral Park, N.Y. 150 employed; Selling area: 400-12,000/51K total	12	11	+ 9.0	13	12	+ 8.0	90	90	12	12	13
96	**Wood Bros. Lumber,** Tucson, Ariz. 160 employed; Sku's: 15K avg./15K total; Selling area: 10K-30K/60K total	12	12	0.0	13	13	0.0	90	90	2	2	3
97	**The Hardware Fair,** Baltimore 200 employed; Sku's: 25K avg./25K total; Selling area: 7K-20K/120K total	12	11	+ 9.0	12	11	+ 9.0	100	100	10	10	10
98	**Robertson Cos.,** Grand Forks, N.D.	11	14	– 21.0	28	35	– 20.0	40	40	30	30	NA
99	**Alamo Lumber,** San Antonio 210 employed; Sku's: 3K avg./10K total; Selling area: 1.5K-20K/90K total	11	11	0.0	19	19	0.0	60	60	16	16	17
100	**Elgin Lumber,** Elgin, Ill. 170 employed; Sku's: 40K avg./60K total; Selling area: 10K-40K/80K total	11	11	0.0	19	18	+ 6.0	60	60	5	4	5

All figures from annual reports, company officials or *NHCN* estimates based on market and industry data. Figures for companies operating on fiscal year basis have been adjusted into 1982 calendar year for comparison purposes.

NA—Not available
K—thousand
Retail selling area: minimum-maximum (or chainwide average)/total chainwide sq. ft.

THE NHCN ANNUAL REPORT ON THE HOME CENTER INDUSTRY

Success of warehouse formula

(Continued from page 15)

evolved? To define a warehouse store generally, it is large in size, over 60,000 sq. ft.; produces exceptional volume, around $1 million per month; receives most goods on a direct basis; has higher than average turns and lower than average margins.

Clearly there are chains that could claim to be warehouse types which do not fit into this definition, such as B & B of St. Louis. But in an industry where few agree on what a home center is, a lack of unanimity about what constitutes a warehouse operation should not be surprising.

Perhaps the more important question is not what a warehouse is, but why it works. The answer can probably be found in the Home Depot's formula, which has to do with advertising, buying, pricing, controls, consumer education, employee development and something less tangible—the shopping environment.

Reportedly, Home Depot set out aiming for 30% gross margins with the idea that at all times 10% of the merchandise would be sold at margins of 10% and below, with the extremely low-priced goods constantly being rotated to foil the competition.

At Hechinger, Landover, Md., louver doors are displayed along wide aisle at rear of the store. Despite height of gondolas, 8-ft.-wide aisle provides customers with an open feeling.

Said an executive of a major chain that has not faced Home Depot, but has studied the possibility, "They tend to ruin the margin on items we make big margins on. They move the target.

"What would confuse us more than anything else is their loss leaders. We don't use loss leaders."

Home Depot's founders, Bernie Marcus, Arthur Blank and Pat Farrah have left little doubt in the industry that a sharp pricing strategy has been carried out.

"Bernie's outlets are able to move so much commodities that he's using them as a price leader," said Dick Rose, general marketing manager of Georgia-Pacific's distribution division. "It's one of those things where we have to reassure our customers that he's buying it for what they are, but he's selling it for what he's buying it for.

"We figure he's sold gypsum below cost as well as landscape timbers."

The low prices, of course, build traffic and, as Rose elaborated, "If you've got any kind of sales people at all they tell the customer, 'we've got a special on this,' and that results in an additional $20 sale. That's all it takes."

Part of Home Depot's strategy apparently is to fill store positions with the qualified people who can make those extra sales. The lure of opportunity, reflected at all levels, is perhaps best revealed by the decision of Jim Inglis to trade the vice president, merchandising title at Dixieline for a less senior spot in Atlanta.

His addition further strengthened Home Depot's already well respected buying staff, which has played an important role in the company's success, since offering low prices usually depends on buying right.

The Formula: Buying & Advertising

That particular talent for knowing what to buy and in what quantity is exemplified by Home Depot's ceiling fan effort. According to Ron Kepes, vice president of Moss Manufacturing, one of the vendors in that category, Home Depot plans its program six months in advance.

This spring's inventory was determined last fall. At that time matters related to sku's, models, price points, display space, backup goods, returned goods policies and customer complaints were resolved and a letter of credit was issued to Moss.

When containers of fans arrived by boat from the Orient, Moss was paid, and in two to four days the merchandise was absorbed into Home Depot stores, without ever going through Moss' warehouse. Each container, which carried about 1,200 fans worth approximately $60,000 wholesale, served three stores.

"The more traditional guy who's going to buy less says, 'I don't know what I'm going to do so I'll rely on Moss' warehouse,' " said Kepes. That customer, of course, pays for that protection, while Marcus and company benefit.

"I would assume," said Kepes, "that if a person can't save 20% to 25% it wouldn't pay for him to go through the hassle."

Larger chains also buy significant amounts direct from the Orient, but generally the merchandise moves through distribution centers to the stores. The extra handling means additional cost that has to be tagged onto the price, which gives an operation like Home Depot an advantage.

Said Kepes, "If he's got guts and money, a small guy can buy like a giant."

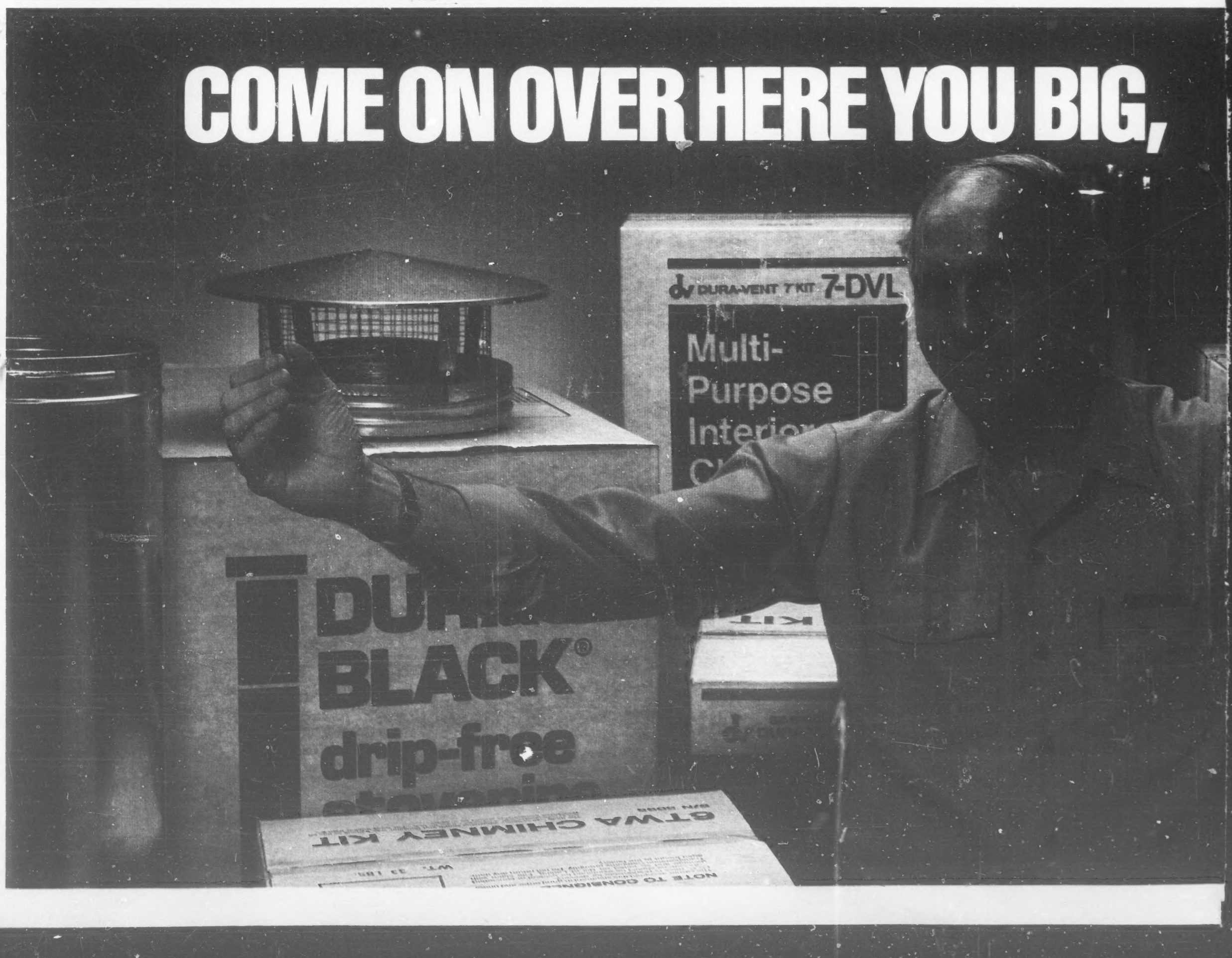
Of course, once having gotten merchandise into the store at the right price the public has to learn that the goods are available. A low-margin advertising perspective was provided by Kevin Jaffe, vice president of sales and marketing for Behr, which supplies each Home Depot store, during peak periods, with as many as 4,000 gal. or $35,000 to $50,000 worth of stains and preservatives.

"Many of the things sold in home centers today predominately are sold on ad," he said, referring specifically to competitive commodities and some seasonals. "If 80% of volume is sold on ad, doesn't it make sense to have product on sales 80% of the time?

"The conventional approach of putting an item on sale for one to two weeks is ridiculous. Everyday low prices—what supermarkets are doing—is the bottom line of the whole thing."

The sharp pricing and the look of the store when the cus-

(Continued on page 23)



THE NHCN ANNUAL REPORT ON THE HOME CENTER INDUSTRY

Industry spurred by warehouses

(Continued from page 22)

tomer enters generate excitement, Jaffe said. "It's like when you walk into a restaurant. There's an instant feeling even before you've tasted the food. That's so important in the retailing world."

Risks are great

But the approach is not without risk.

"It's a very high powered way of merchandising," said an exec. "It's definitely not a fad. It's got a very strong future. But I think it's pretty hard to pull it off. Those who pull it off will do well; those who don't will get murdered. There's no middle ground.

"It's a strong competitive weapon. What happens when you get two of these things up against each-other? That's a big imponderabie in my mind."

Some of the same doubts were expressed by Denny as he prepares to open a 70,000-sq.-ft. and an 80,000-sq.-ft. unit in San Antonio by July 4, outlets that, while large and stocked with about 35,000 sku's, may not be as off-price as The Home Depot.

"I think you're seeing an evolution," said Denny. "And not a proven evolution at this time.

"At this point nobody has really taken a warehouse into a strong market. In Atlanta, when Home Depot entered, Handy City was not strong competition. Orlando was really the first real competition.

"There is a lot of danger in the concept. It can be successfully attacked by independents and chains.

"You're selling low cost from the consumer's viewpoint, but is it really that competitive? House Works was competitive on margins compared to Handy City, but maybe not compared to National Lumber or Forest City.

"You're pushing the turn side. When you're pushing the margin side it's easier to adjust. You can operate a $3 million to $4 million home center and do well; run a warehouse operation at $7 million to $8 million and you're breaking even."

The protection against merely breaking even would seem to be proper controls. Moving so much inventory through an outlet efficiently is a particular problem. The Home Depot reportedly is aiming for a computerized, supermarket-like system that would eliminate the need for pricing each item.

Pat Sher also indicated that at this point HomeOwners Warehouse is pricing all its merchandise but would also like to eliminate that practice, if possible.

"The name of the game is spinning goods," he said.

In some respects The Home Depot, with only 10 stores, has more control over operations than a larger chain. When it comes to promotions, for example, the significant volume posted by each store makes it appealing for manufacturers to become deeply involved, while the relatively few number of stores make it easier for chain management to maintain control.

The high volume per store may also draw more regular attention from suppliers. Jaffe of Behr noted that to serve an average 80-store chain would probably mean one visit to each store per month by a Behr representative. And it would take five to eight persons to service the chain.

Generally, manufacturers seem pleased to be in an operation like Home Depot, but Jaffe did suggest that the warehouse concept had not yet been fully exploited by suppliers.

"There's a difficulty with in-store merchandising support since you're not dealing with conventional fixtures. We had to develop different display material that works in those stores.

"The biggest problem is height, since everything has a high profile you have to find the proper position that can be seen by customers.

"Frankly, we haven't yet found what is most effective."

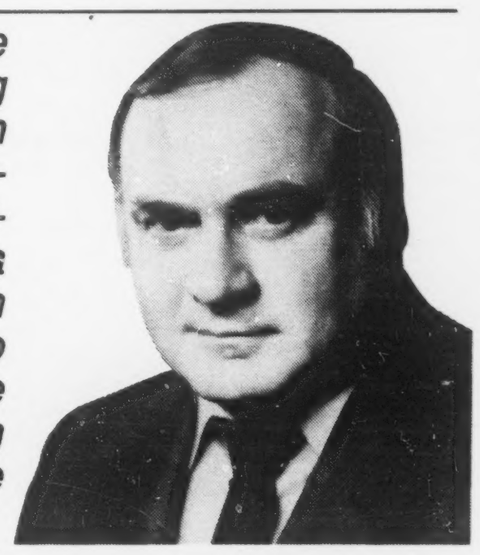
He also mentioned a drawback for manufacturers serving warehouse home centers. He speculated that conventional operators facing warehouse stores might switch away from brands carried by the low-margin outlet in order not to compete on price.

Mostly, however, vendors seem delighted to serve the warehouse stores. As Ron Kepes said of doing business with Home Depot:

"We love to sell them because money is not a problem and they have the ability to buy big. They do not rely on us for a little of this, a little of that. They buy big, sell big, pay big."

With the warehouse concept 'you're pushing the turn side. When you're pushing the margin side it's easier to adjust. You can operate a $3 million to $4 million home center and do well; run a warehouse operation at $7 million to $8 million and you're breaking even.'

—Frank Denny



Is anyone being hurt?

The warehouse retailer, his suppliers and the public are all benefiting it seems. But, is anyone hurt in this process? According to Bernie Marcus, no.

While Marcus declined to be interviewed for this story because he felt it would conflict with his recent application to issue 1.5 million additional shares, he said last month at a research conference in New York that home center retailing is the only industry where a retailer can create new business.

While an average DIYer spends $150 per year on items like light bulbs, a more accomplished person spends up to $3,000, according to Marcus. He attributed much of his sales growth to the customers his employees have educated.

"We're moving klutzes along to professionals," he said.

Marcus told a story about a woman who, over a period of three years, convinced her reluctant husband to purchase track lighting from The Home Depot and learn how to install it. Marcus stressed that the man now felt more accomplished and willing to take on other home improvement projects.

"We didn't take that customer from anybody else," Marcus said."

Judging from the interest in how The Home Depot operates and the strategy meetings about how to parry its effect, much of the rest of the home center industry does not see Home Depot, or warehouse stores generally, as simply market builders.

One of the more optimistic forecasts about how the industry will adjust to the emergence of warehouse stores was offered by another Marcus, Stanley. The founder of Neiman-Marcus and retailing statesman said:

"Some will do well because they offer superior quality of service. Others will do well because they offer the cheapest price. Someone will find a way of buttering the bread a little better."

BEAUTIFUL SIMPSON DURA-VENT.
Now I've all those great Chimney, Stovepipe and Gas Vent products that make you the undisputed quality leader. Nobody gives me the selection you do. And let me see all those kits that make selling Simpson Dura-Vent easy, all year round. You're always there when I need you with dating and fill-in order programs and discounts when I order and pay early.
Come on over here Simpson Dura-Vent, you're the best Chimney, Stovepipe and Gas Vent friend any distributor could have."
SIMPSON DURA-VENT
SUBSIDIARY OF SIMPSON MANUFACTURING CO.
Redwood City, California
Vicksburg, Mississippi
Makers of Fine Quality Building Products

THE NHCN ANNUAL REPORT ON THE HOME CENTER INDUSTRY

TV ad spending begins to level off

NEW YORK—Home centers last year spent nearly a quarter more on television advertising than they did in 1981, but the growth overall was comparatively smaller than that of years past.

According to statistics provided by the Television Bureau of Advertising, the 15 home center companies that made the largest commitments to television advertising in 1982 spent approximately $13.3 million altogether. The figure indicates a 23% increase over spending levels recorded in 1981.

ADVERTISING

However, statistics also show that the rate of increase for 1982 fell 10 percentage points below the growth of spending for the year before. According to TVB figures from 1981, home centers that posted top spending levels for television advertising increased their commitments by 43% (*NHCN*, May 24, 1982). Three years earlier, the top spenders had portioned out 48% more than in 1977 (*NHCN*, April 23, 1979). Only 1980 showed a smaller growth rate than last year's; spending for that period jumped 17% over the 1979 level.

Michael Shapira, executive vp at W. B. Doner, a Detroit, Mich., retail advertising firm, said the perceived slowdown in spending growth could reflect a maturation of television use within the home center industry. "Statistics from other segments of the retail industry, say department stores, might show a parallel phenomenon," Shapira said.

"Home centers are starting to come of age as retail stores, so more of them are using retail advertising," he added. "If you go back seven or eight years, you will find that there weren't many with advertising agencies."

Shapira could not guess why spending growth increased only by 17% in 1980. "But you can expect to find large growth when companies first move into television," he said. "[The increases] then seem to get smaller as [TV] becomes a part of everyone's ad mix."

Payless Cashways, which made its debut as a member of the top 15 television advertisers, ranking fourth, increased its commitment to the broadcast medium by an estimated 3,181%. The 110-unit home center chain from Kansas City, Mo., ended the year with about $1.3 million in television ads, a staggering climb from the $39,700 spent in 1981.

Other newcomers to the top 15 list included ninth-place Home Depot, whose spending increased by 137% to $904,000. Mr. Goodbuys, the three-store independent from Philadelphia, entered the list at 11th place with $569,000, an 85% increase over 1981. W. R. Grace's Handy Dan chain from San Antonio ended its first year in the 14th position after hiking television spending 53% to $441,000.

Sutherland Lumber fell short of industry expectations somewhat. Though the 75-store Kansas City, Mo., based chain posted the second largest spending increase in the top 15, the company did not take the No. 1 slot away from Builders Emporium. Sutherland's television expenditures rose 154% to approximately $1.7 million.

Wickes' Builders Emporium, with 62 stores based in Irvine, Calif., held the No. 1 position for the second year in a row. While upping its spending by 25%, BE became the only home center to rise above the $2 million mark. It ended the year with approximately $2.5 million in television advertising expenditures.

Three home center chains cut television spending in 1982, with Ole's leading the way. The Pasadena, Calif., company, with 33 stores, cut its expenditures by 22% to $964,000. Bob Mendes, vp of sales promotions, said the chain gained co-op funding from 75 manufacturers while the real cost of television commercials purchased increased 15% over the $1.2 million spent in 1981.

The highly coordinated advertising campaign initiated by Ole's last fall apparently proved less an advantage than the company originally anticipated. Wayne E. Smith & Assoc. Inc., the Los Angeles-based advertising firm hired for the campaign, was dismissed by Ole's executives as of April 1. Mendes said the home center chain has since hired another firm called Davis, Johnson, Mogul and Colombatto, which is now helping Ole's through a period of "creative soul searching."

Lowe's Cos. of North Wilkesboro, N.C., which was the largest television spender in 1980, cut its expenditures 12%.

Lumberjack Stores of Sacramento reduced its television spending to $434,000.

1982's top television advertisers

Chain	1982 expenditures	1982 No. of stores	1981 expenditures	1981 No. of stores	Per cent change
Builders Emporium (Wickes)	$2,471,900	62	$1,982,900	62	+ 25
Sutherland Lumber	1,687,400	75	664,900	74	+ 154
National Lumber	1,381,500	12	834,400	11	+ 66
Payless Cashways	1,302,800	100	39,700	86	+3,181
Plywood Minnesota	1,019,600	13	572,500	20	+ 78
Hechinger	983,600	34	685,900	31	+ 43
Ole's	968,700	33	1,240,000	32	– 22
Lowe's	943,700	235	1,075,000	229	– 12
Home Depot	903,900	10	380,800	8	+ 137
Pay 'N Pak	591,400	92	494,500	88	+ 20
Mr. Goodbuys	569,400	3	307,700	3	+ 85
Forest City	568,800	21	407,500	21	+ 40
Menard Cashway	498,800	22	446,500	21	+ 12
Handy Dan (Grace)	440,900	76	287,800	89	+ 53
Lumberjack*	434,400	7	520,600	6	– 17

*Lumberjack became part of the Payless-Furrows Cashway chain in January 1983

Source: Television Bureau of Advertising; *NHCN* chart

Home centers that made up 1982's 15-member list of top television advertisers included four new companies, among them Payless Cashways, the 110-unit Midwest chain which increased its commitment to the broadcast medium by 3,181%.

KK
Chadwood...
We'll bet our price
is lower than the
panel door you're
currently buying.
Chadwood has 3/4" face mounted solid oak door frames & drawer fronts, a hand wiped "family-proof" finish, adjustable shelves in all wall cabinets, all wood drawers on lifetime nylon rollers, self-closing hinges, and antique brass door pulls. All standard! Chadwood is a top of the line cabinet at a rock bottom price... from the masters of high production cabinetry.
Kitchen Kompact, Inc., KK Plaza, P.O. Box 868, Jeffersonville, IN 47130, (812) 282-6681.
CERTIFIED CABINET
Chadwood...
compare the
quality because
there's no
comparison to
the price.
Price guaranteed to Jan. 1, 1984.

THE NHCN ANNUAL REPORT ON THE HOME CENTER INDUSTRY

Home Depot: Sales gain pace-setter

NATIONAL REPORT—With an explosive opening of two units in Orlando, Fla., and continued sales growth in its Atlanta and Miami stores, The Home Depot was the industry vanguard in overall and DIY volume gains in 1982.

Store openings and/or acquisitions played important roles last year in the revenue increases at Payless Cashways, Somerville Lumber and McCoy's, and it appeared that Lloyd Lumber and Scott's have recouped from lackluster performances in 1981.

Company sales at chains like Handy Andy, W. R. Grace's Orchard Supply and Pergament, which are almost exclusively consumer-oriented, continued to shine in what was a modest year for the industry as a whole.

With the opening of its new 80,000-sq.-ft. units in Orlando, The Home Depot's sales rose 128% to $117.6 million last year, 100% of which were DIY transactions. So strong was the company's 1982 performance that it was pegged as one of the 10 most active stocks on the New York Stock Exchange by *The New York Times*, which earlier this year ran an article on the chain in its business pages.

The chain is on the verge of breaking new ground with two stores in New Orleans later this year, and expanding with additional units in Tampa, Fla. It remains to be seen what impact the company's assiduous promotions in southern Florida will have on the sales at the 100-unit Scotty's, Winter Haven, Fla.

DIY sales gains were aslo significantly up at the 39-unit American Maize Products, Stamford, Conn., which saw 40% growth to $56 million, or about 70% of its $80 million total. The company, which runs the Lloyd Lumber and Lundy-Briggs chains, showed a unit drop from 43 in 1981, and will probably close another store this year, according to marketing vp Pete Mueller.

Lloyd Lumber's DIY volume improved 25% to $35 million, while its total volume increased an impressive 35.1% to $50 million.

The $603 million Payless Cashways grew in total units to 100 in 1982, having built 11 new stores at a cost of $30 million and buying two Brookhart Building Centers in Colorado and one Dunlap's in Nora, Ind. These stores contributed to the chain's 26% jump in sales last year, of which an estimated 95% came from consumers. The company was on the move early in 1983, purchasing the seven-unit Lumberjack Stores in Sacramento for $26.5 million, opening a 24,000-sq.-ft. store in Plano, Tex., and a new 30,000-sq.-ft. prototype in Columbus, Ohio, one of three stores Payless will run in that market by mid-June.

Expansion was key in the growth of one of the quietest but most profitable companies in the industry, McCoy's Building Supply Centers in San Marcos, Tex. According to chain vp Brian McCoy, the company grew by five units in 1982 to 38, and its overall volume rose 29% to $129 million, of which close to 80% were DIY sales, placing McCoy's sixth among all home center chains in DIY sales percentage growth last year.

Company president Emmet McCoy told *NHCN* at this year's National Home Center Show that the chain would probably grow to 50 units in 1983, with total revenues of about $18[illegible] million.

While its store growth only went from one to two units, Somerville Lumber's new store in Westboro, Mass., showed every sign of being able to generate the same kind of remarkable volume the company gets from its flagship store. With the addition of the new unit, Somerville's total sales rose 36% to $34 million (the second store having a six-month sales history in 1982), with DIY volume growing 38% to $29 million. According to company executives, Somerville is currently in the process of constructing a third store, to be opened some time late in 1983.

After the Linthicum, Md.-based Scott's chain purchased the seven-store Frank's Hardware for $2 million in the fall of 1981, it took nearly nine months of renovation and inventory control, as well as the installation of upgraded merchandise, before those stores began to contribute to the chain's sales growth.

In 1982, Scott's efforts appeared to have paid off, as the 17-unit chain's overall volume grew by 32% to $28 million and its DIY sales expanded by 50% to $27 million, placing the chain in second place in this growth category.

(One of those internal merchandising measures in 1982 was the installation of a $5,000 greenhouse display in its Pasadena, Md., unit that retailed for $900 in kit form. Buyer Dick Fox said he hoped the store could sell one a month.)

Joe Jentis, president of Newark Steel, the Roseland, N.J., wholesaler, commented earlier this year that, despite the two-year long collapse in the economy, "chains like Rickel and Channel were still very profitable." His estimate of the 34-unit, South Plainfield, N.J., Rickel Home Centers held true last year, as that company's sales rose 23% to $230 million.

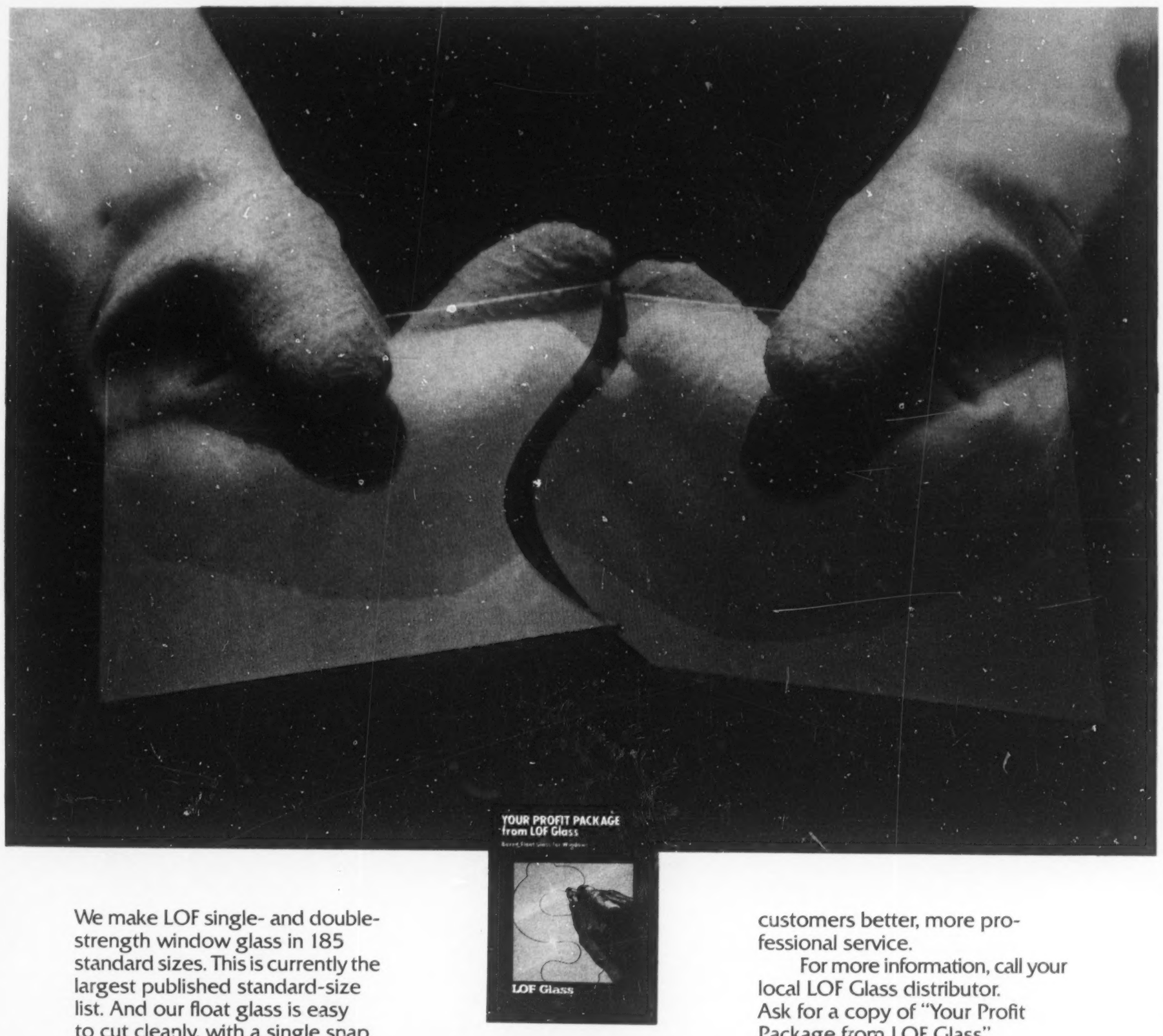
THE TOP 10

1982's top gainers by sales

Rank	Chain	1982 sales gain
1	The Home Depot	128%
2	Angels	80
3	Handy Andy Home Improvement	50
4	Somerville Lumber	36
5	Lloyd Lumber	35
6	Goodman Lumber	32
—	Scott's	32
8	McCoy's Building Supply	29
—	Orchard Supply	29
10	Pergament Home Centers	28

1982's top gainers by DIY sales

Rank	Chain	1982 DIY sales gain
1	The Home Depot	128%
2	Angels	80
3	Spenard's	53
4	Handy Andy Home Improvement	51
5	Scott's	50
—	Alexander Lumber	50
7	American Maize Products	40
—	Williams Bros.	40
9	Somerville Lumber	38
10	Goodman Lumber	32
—	Charles Meek Co.	32



We make LOF single- and double-strength window glass in 185 standard sizes. This is currently the largest published standard-size list. And our float glass is easy to cut cleanly, with a single snap.

That can mean you'll have less scrap from mis-cut glass to throw in the trash bin. Which should make you feel especially good, because you're taking the profit out of the trash bin and putting it back into your pocket, where it belongs.

And while you're increasing your profits, you're also giving customers better, more professional service.

For more information, call your local LOF Glass distributor. Ask for a copy of "Your Profit Package from LOF Glass."

LOF Glass
A Libbey-Owens-Ford Company

CUTTING'S A SNAP WITH LOF GLASS.

THE NHCN ANNUAL REPORT ON THE HOME CENTER INDUSTRY

Fastest grower leads in store count

NATIONAL REPORT—84 Lumber continued to outpace large retail groups like Evans Products, Wickes Cos. and W. R. Grace last year, and remained the biggest and fastest growing home center company in terms of store count.

The privately held chain grew from 350 to 370 units, an overall increase of 5.7%. 84's year-end store count was 9% greater than that of Evans Products, its closest rival at 341 openings alone, the chain grew 16.2% last year.

Payless was followed by fourth-place Pay 'N Pak of Kent, Wash., which grew 11.3% by purchasing Bonanza Building Centers, the financially ailing 10-store chain from San Jose, Calif. Pay 'N Pak also opened four of its own outlets during the year.

Tenth-place Spenard's Building Centers of Anchorage, Alaska, led the home center industry in terms of growth rates, however. The company expanded its arctic operation by 45.4% with the addition of five stores. Before 1982, Spenard's had encompassed only 11 units.

Handy Dan's nine-store increase generally did not reflect the addition of new stores, however. The 76-unit chain from San Antonio drew outlets from a regional reorganization initiated by its parent company, W. R. Grace.

Lanoga's five-store expansion sprang from the Seattle company's acquisition of Lumberman's of Washington. Lanoga has since purchased eight retail stores from Williamette Industries Inc., a lumber manufacturer from The Dullas, Ore. According to company officials, Lanoga plans to organize a dominant Northwestern chain using its Lumbermen's and Williamette acquisitions as a springboard. The company also owns Spenard's and United Building Centers.

THE TOP 10

stores. The chain overshadowed Wickes Cos. by 23% and W. R. Grace by 36%.

In terms of store openings, 84's 20 new outlets placed it well ahead of second-ranked Scotty's, which increased its unit strength to 98 by opening 15 additional stores.

84 Lumber apparently is looking forward to a year of greater expansion in 1983. According to reports, the chain plans to use a capital budget of $24.2 million to open 40 new stores by January.

84 Lumber and its unsurpassed growth turned out to be more the exception than the rule in 1982, however. The industry instead seemed to move toward entrenchment, with large and well-capitalized firms leading the way.

W. R. Grace, the New York-based parent company of Angels, Cashway, Channel, Handy City, Handy Dan and Orchard, was the only retail group listed among the 10 fastest growing companies in terms of store openings. Fifth-ranked Grace expanded its network by nine stores altogether, a 3.4% growth rate which brought its year-end unit tally to 273.

Store counts actually declined for Evans Products and Wickes Cos., according to reports.

Evans, Portland, Ore.-based owner of Alamo, Grossman's, Hubbard & Johnson, Lindsley and Moore's, reduced its number of units by seven to 341. The move came as the highly leveraged parent company announced plans to sell its retail division to raise funds to meet its debt obligations.

Wickes last April applied for the right to reorganize under Chapter XI of the U.S. Bankruptcy Code. After reviewing the conglomerate's diverse operations, a new management team decided that building material retailing would remain part of the new Wickes. Like the rest of the company, however, the building material segment would be leaner. The Santa Monica, Calif.-based parent of Builder's Emporium and Wickes Lumber at the same time cut its store count from 340.

Store decline among the retail groups was reflected by statistics for the nation's top 100 home center chains, who reduced their number of stores from 4,196.

Payless Cashways of Kansas City, Mo., opened 14 stores, bringing its 1982 total to 100 units. The Midwest chain, which now operates through 110 outlets, built 11 stores, bought two units from Brookhart Building Centers of Colorado Springs and one from Dunlap's Home Improvement Centers of Columbus, Ind. The activity reflects Payless' plan to expand its square footage by between 15% and 20% each year. In terms of new store

Largest chains by store count

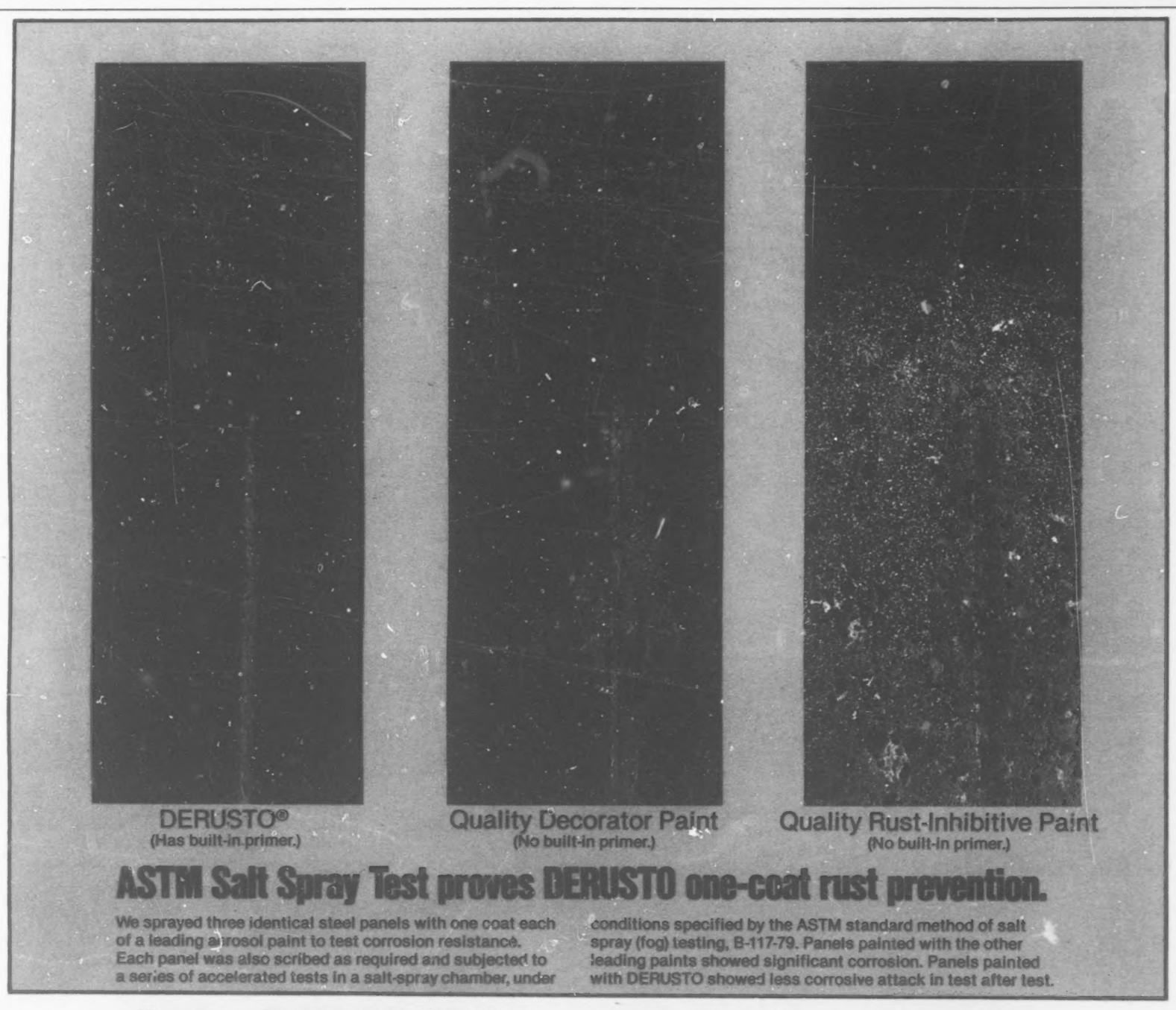
Rank	Chain	No. of stores
1	84 Lumber	370
2	Evans Products	341
3	Wickes Cos.	301
4	W. R. Grace	273
—	Wickes Lumber (part of Wickes Cos.)	239
5	Lowe's	235
—	Grossman's (part of Evans Products)	199
6	Carter Lumber	130
7	Lanoga	122
8	Diamond International	119
—	United Building Centers (part of Lanoga)	108
9	Great Plains Supply	101
10	Payless Cashways	100

84 Lumber increased its total number of stores to 370 last year, thus raising its lead in total stores over Evans Products and Wickes Cos. which both reduced total store count in 1982.

Fastest growers by 1982 store openings

Rank	Chain	Stores added during 1982
1	84 Lumber	20
2	Scotty's	15
3	Payless Cashways	14
4	Pay 'N Pak	10
5	W. R. Grace	9
—	Handy Dan	9
6	Lowe's	6
—	McCoy's Building Supply Centers	5
8	Lanoga	5
—	Spenard's	5
—	Diamond International	5

Four companies opened 10 or more home centers each during 1982, defying the state of the economy. 84 Lumber, which is the leader in terms of total number of stores, led the fastest growers.



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THE NHCN ANNUAL REPORT

Top ten in sales per store

NATIONAL REPORT—Large store size, wide selection and expert salesmanship seem to be the keys for attaining top per-store volume in the home center industry.

These three areas characterize both the top 10 overall sales per store producers and the top 10 companies in DIY sales per store.

In fact, eight of the companies ranked among the industry's top 10 in overall sales per store are also top in DIY sales per store.

The chains and independents that made both charts are All American Home Center, Somerville Lumber, Dixieline Lumber, Hubbard & Johnson, The Home Depot, Sackett & Peters, Lumberjack and Menards.

The size of these high volume stores tends to be large, with 40,000 sq. ft. about the average for the group. The No. 1 home center on the chart, All American Home Center, Downey, Calif., has 140,000 sq. ft. of selling area.

The average number of sku's per store in these high-volume home centers is close to 30,000. Several have an even wider selection of sku's, such as All American with 65,000; Somerville, 37,000 and Sackett & Peters, 35,000.

It also appears that a good staff of experienced salesmen is essential for high volume and turnover—particularly where DIY sales are concerned.

The stores that are ranked one and two for both overall sales and DIY sales on a per-store basis both have a reputation for employing skilled, experienced sales help.

No. 1 All American Home Center is a 100% DIY store, whereas Somerville Lumber, No. 2, gets 15% of its sales from contractors. But both home centers employ salesmen with many years of expertise.

Harold Cohen, vice president of Somerville Lumber, can point to four employees who have been with the firm since its inception 28 years ago.

Somerville's staff and selection have overcome some physical limitations that the chain works around at its headquarters store. In spite of very limited parking facilities, the headquarters Somerville Lumber store accounted for the lion's share of the two units' sales in 1982, since the Westboro store has only been in operation for about six months. In fact with sales of $28.5 million, the Somerville store would top the chart if it stood alone.

Somerville, which has been in business since 1956, has maintained a location in Somerville since 1977.

Lumberjack, the seven-store Sacramento, Calif., chain acquired last year by Payless Cashways, outperforms its parent on a per-store basis, as well as DIY sales volume per store. The stores operate with about 70 employees at peak selling times, and Lumberjack boasts at least four stores that produce $1 million per month in sales.

The Home Depot's sales per store averaged $14.7 million in 1982, not counting two stores opened in Orlando, Fla., during the last week of fiscal year ended Jan. 30.

In addition to selection and service, Home Depot stresses pricing in its high volume formula, accepting lower-than-normal margins on some products like commodities.

Dixieline Lumber is also known for its low prices. In 1982, the five-store operation arranged to buy its building materials through its parent company Weyerhaeuser, allowing the chain to pass on the price advantage to its customers.

In addition to large store size, wide selection, expert salesmanship and, in some cases, very competitive pricing, high volume also seems to be a function of small chain size.

THE TOP 10

The top 10: Sales per store

Rank	Company	No. of stores	Sales per store (millions)
1	All American Home Center	1	20.00
2	Somerville Lumber	2	17.00
3	The Home Depot	8*	14.70
4	Dixieline Lumber	5	14.00
5	Hubbard & Johnson	4	13.75
6	Star Lumber	3	12.33
7	Sackett & Peters	2	10.00
—	Weyerhaeuser (includes Dixieline)	10	10.00
9	Lumberjack	7	9.28
10	Menards	22	9.09

*excludes two stores opened last week of fiscal year ended Jan. 30

Included in the Top 10 listing of sales per store for 1982 were All American Home Center, Downey, Calif., with $20 million in sales in its single unit, while Somerville Lumber, Somerville, Mass., averaged $17 million in volume at its two outlets.

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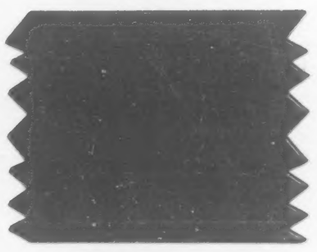

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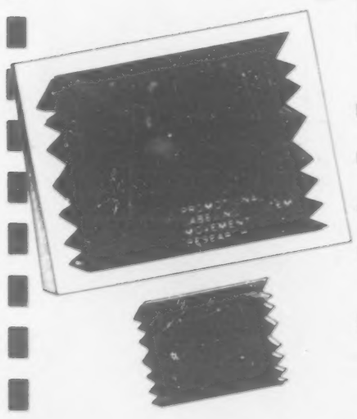

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THE NHCN ANNUAL REPORT

Warehouse-style or not, retailers design strategies to build turns

NATIONAL REPORT— One of the central characteristics of warehouse-type home centers is that they are designed to increase turns, even at the expense of margins.

The Home Depot, for example, has achieved annual turns of 5.5 to 6, according to Bernie Marcus, chairman. Results like this have generated great industry interest in the warehouse approach.

Still, most home centers are not of the warehouse variety. And while this new phenomenon intrigued building material retailers last year, they also used other strategies to build turns.

The merchandising section of this *NHCN* annual report on the home center industry explores some of the ways retailers attempted to build turns and generally strengthen their stores in these categories: plumbing, electricals, hardware, tools, lumber, building materials, paint and lawn and garden.

Promotions, inventory levels and product mix were adjusted in some cases. Others switched

(Continued on page 43)

Garage door openers, promoted for better than $60 off, lined an aisle near the checkouts of a Beaver Lumber outlet in North York, Ontario, last fall. The store utilized bulk merchandising for several products including windshield washer fluid.

NHCN photos

The NHCN Top 100

(Continued from page 15)

DIY volume and totaled $407 million in annual volume that year. Now, thanks in part to the acquisition of Handy Dan/Angels and Cashway, El Paso, Tex., the company has more than doubled total volume to $875 million in 1982 to help solidify its No. 1 ranking in consumer sales.

Payless Cashways ranked No. 4 in DIY volume in 1978. In 1982, it moved to the No. 3 slot, but even that move is deceiving.

In 1978, Payless did $248 million in 60 stores. Last year, it did $603 million in 100 stores and threatens to grow even more dramatically in the future, especially after its acquisition of Sacramento's Lumberjack Stores last January.

Lowe's will remember 1982 as the year it surpassed the $1 billion sales figure, only the second home center company to do it. Lowe's DIY percentage of total sales, thanks to its RSVP store format, has grown from 40% in 1978 to 55% last year.

Hechinger grew in sales from $111.2 million in 1978 to $241 last year.

Other home center companies suffered through the period.

Boise Cascade has seen a roller coaster-type effect in its home center business as a result. The company had 54 units in 1978, grew through acquisition and internal expansion to more than 100 soon thereafter and now has settled in at 93 outlets.

Wolohan Lumber was about to reach its $136 million sales peak in 1979, but because of the recession, it has failed to reach the $100 million mark since.

But, positive change has come to such privately owned companies as Pergament Home Centers and smaller chains like Scott's, Linthicum, Md.

Pergament reportedly did $85 million in sales in 1978, but last year was estimated to have done $160 million in fewer but larger stores.

Scott's took Frank's DIY Hardware off the home center map by acquiring the chain in 1981. Scott's now has 17 stores doing $28 million vs. eight stores doing about $15 million in 1978.

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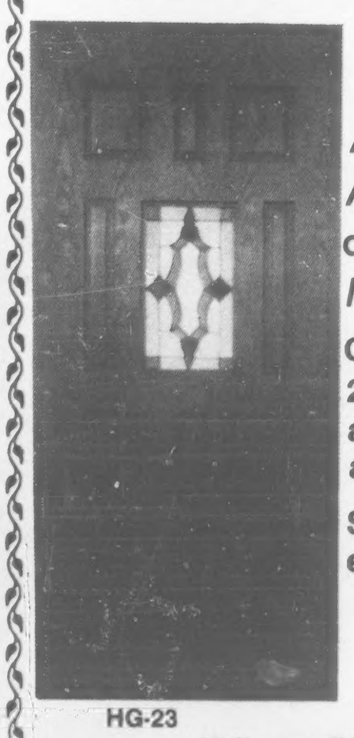

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THE NHCN ANNUAL REPORT ON THE HOME CENTER INDUSTRY

Home centers aim to build turns

(Continued from page 41)

to more bulk merchandising, although in several cases the warehouse-type approach was nothing new.

Levy's Lumber and Building Centers, Louisville, Ky., started bulk displaying of goods as far back as 1970 and is now doing more of it, with a planned major remodeling that will incorporate the bulk look in all three units.

"We feel this is what the public wants," explained Philip

MERCHANDISING

Levy, president. "People seem attracted to it maybe because of the economy. They feel they're getting bargains when they see such displays."

Grace-owned chains have been incorporating the bulk method, possibly as a result of Handy City's difficult experience against The Home Depot in Atlanta.

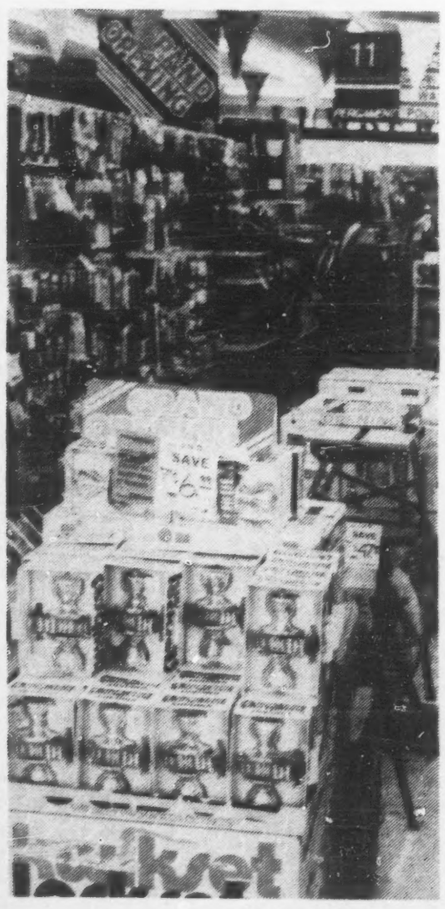
Handy City tried to beat The Home Depot at its own game in Orlando, Fla., before the original warehouse store made its debut there in January. Handy City spent the end of 1982 remodeling four Orlando units to include bulk stacking of some fast-moving goods near the front of the stores and is currently doing the same at its Atlanta outlets.

Handy Dan has also adopted the bulk merchandising technique for seasonal products. And Grace executives spent much of last year devising House Works, a new chain launched this March to capitalize on the public's affair with warehouses.

When Pergament Home Centers opened its doors in Connecticut last fall with a store in Norwalk, it showed more mass displays for fast movers and for merchandising in a slightly smaller facility than normal, officials said (*NHCN*, Nov. 22, 1982). Other Pergament stores are getting similar bulk treatment.

"The economy dictates the procedure," related Charles Sullivan, general merchandise manager at 17-unit Scott's, Linthicum, Md. "We have to think price and show our customers the values we have. Once we get them into the

(Continued on page 44)



Bulk displays of locksets, work benches and garage door openers are shown near the front of a Pergament Home Center in Norwalk, Conn. NHCN photo

Automotive goods, such as motor oil and antifreeze, are suitable for bulk merchandising's simple stacking and selling. NHCN photo

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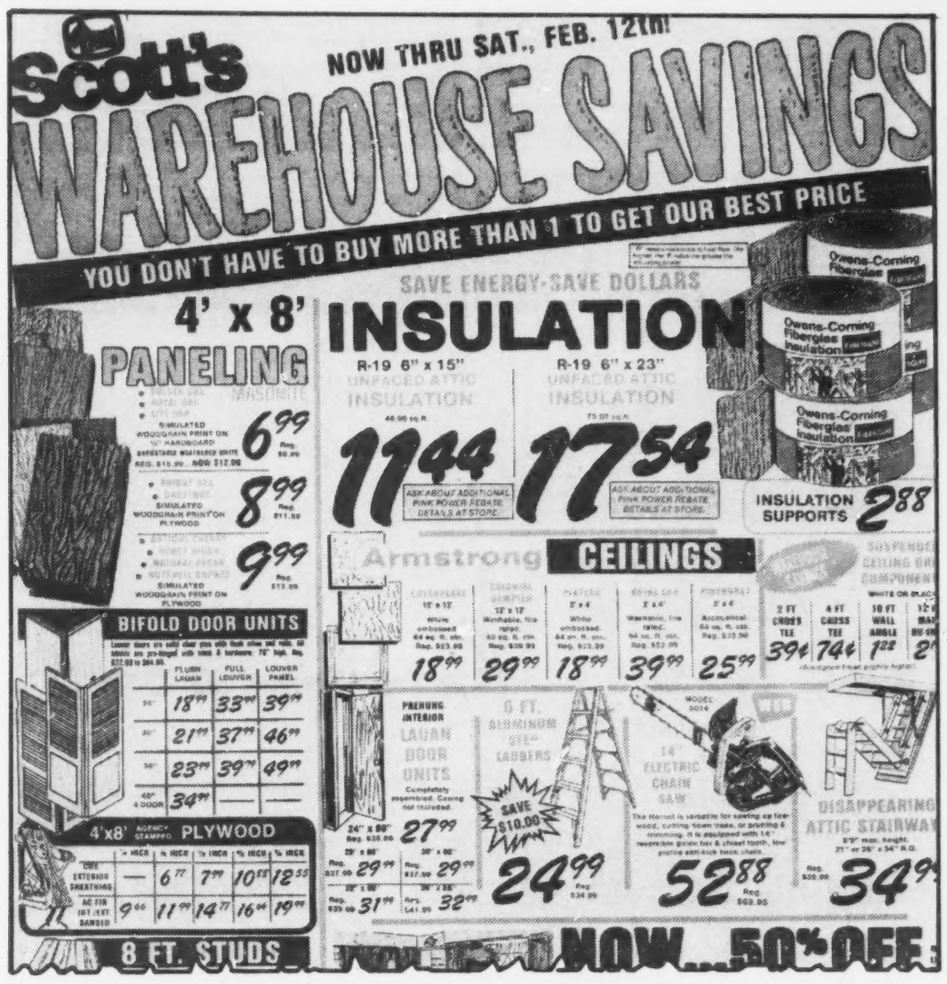
THE NHCN ANNUAL REPORT ON THE HOME CENTER INDUSTRY

Retailers aim to build turns



Scott's is using more of the bulk merchandising technique and tying it into newspaper advertising where it promotes "Warehouse Savings."

(Continued from page 43)

store, we want to show them price and quality. These displays show you mean business."

Scott's began concentrating on bulk merchandising a year ago and even has adopted the slogan "Warehouse Savings" in its advertising.

Sullivan said the bulk displays will show items that are often replenished by customers, including light bulbs for 25¢ each, motor oil for 75¢ per quart and paint for $2.99 a gallon.

The displays involve stacking items on 4-ft. by 4-ft. pallets near the front of the stores, but Scott's officials also try to put such displays near appropriate departments, he added.

The movement has spread to Canada as well, particularly in Beaver Lumber outlets.

Director of merchandising Margaret Smyth said the 185-store chain has bulk merchandised product since she joined the company a year and a half ago. At Beaver Lumber, the key to the displays is tieing them in with promotions.

"The technique attracts attention," Smyth explained. "It helps highlight a department and gives items a value image."

Bulk stacking of latex redwood stain makes up one of the endcaps leading into paint department at Builders Emporium's Van Nuys, Calif., store.

NHCN photo

While Edwin Grimes, president of five-unit Handyman Home Centers, Fairborn, Ohio, stresses that bulk merchandising is not a new phenomenon, he swears by its effectiveness.

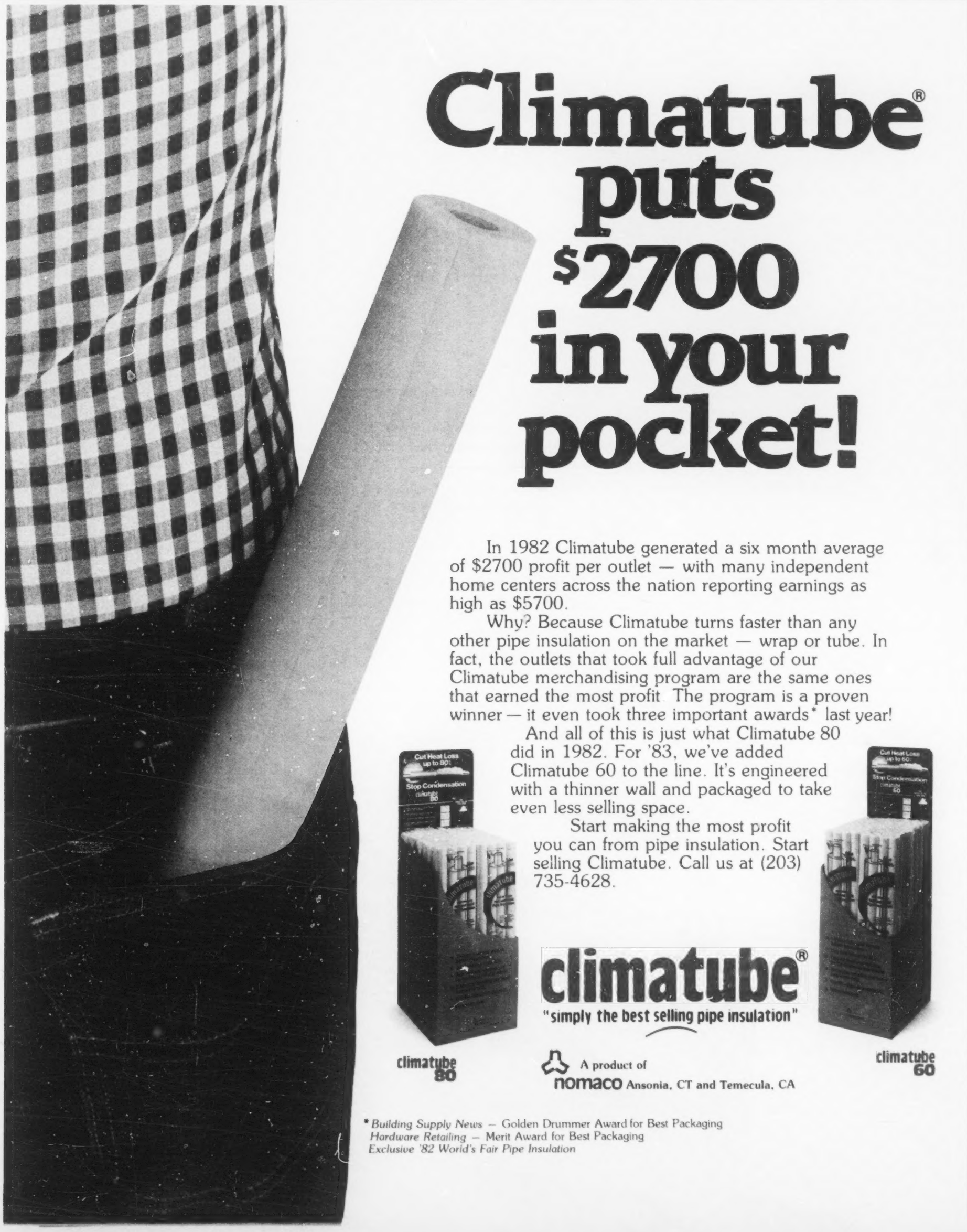
"Sears and the specialty stores have done it with paint for years," he said. "It gives the customer the impression of a bargain, creates excitement and attention and instills a sense of professionalism. People see a bulk display and they say 'Boy, look at all they have.'

"This time of year [spring] is a natural for it when you're selling fertilizer, wheelbarrows, spreaders and sprayers."

Other dealers agree that although bulk displaying is not new, The Home Depot's performance may be making others more aware of it.

"Their success has led people to think about it more," Levy said.

"I wouldn't deny The Home Depot's influence," another dealer said. "People would be silly if they didn't copy a successful thing."



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American Hardware Supply Co., Winter Merchandise Market, Baltimore Convention Center, Baltimore.

May 15-18
National Kitchen Cabinet Assn., 28th Annual Convention, Del Monte Hyatt House, Monterey, Calif. 703-237-7580.

May 15-18
National Forest Products Assn., Spring Meeting, L'Enfant Plaza Hotel, Washington, D.C. 202-797-5800.

May 18-20
Southern Forest Products Assn., Midyear Meeting, Hyatt Regency, New Orleans. 504-443-4464.

May 21-23
United Hardware Distributing Co., Merchandise Show and Convention, Minneapolis Auditorium & Convention Hall, Minneapolis, Minn. 612-559-1800.

May 21-24
HWI May Market, Indiana Convention-Exposition Center, Indianapolis, Ind. 219-749-8531.

May 22-24
Western Building Material Assn., All Industry Management and Marketing Conference, Eugene Hilton Hotel, Eugene, Ore. 206-943-3054.

THE NHCN ANNUAL REPORT ON THE HOME CENTER INDUSTRY

Dealers seek new plumbing lines

NATIONAL REPORT—While home centers trimmed plumbing sku's in 1982, carrying only those fittings and fixtures that demonstrated strong turnover, inventory levels remained even or were increased, an indication that dealers are still looking for new products.

"We haven't had to reduce inventory too much over the past year, and we're pretty satisfied with our turns and service levels out of our warehouse," said about 5% of his slow-moving sku's in order to improve turnover.

This does not mean, though, that dealers are shying away from new product lines in their plumbing department. The 18-unit O'Malley Lumber, Phoenix, recently hired a new plumbing/electricals buyer, and has been adding greater depth to its department, which currently stocks $750,000 in plumbing.

However, even though sales were up in 1982 by 10%, the department's turnover rate was only three times annually, below what it had been in the past. "I was surprised, when we looked at it, that our plumbing turns weren't better," said retail sales manager Paul Conley, who attributed the decline to "intense competition" and "some sloppy buying on our part."

Conley felt that the most important factor behind turnover improvement was the ability by the retailer to "identify the problem by product line, and see what can be done in terms of price, presentation or promotion."

He noted that, in 1983, O'Malley's would be promoting "a broader assortment of plumbing products" (mostly noticeably in the fixtures line). "If you can improve your turns by half a percentage point, you've done your job," Conley said, who conceded that improving turns while maintaining respectable gross margins was still "difficult."

Conley's comments about being aware of a plumbing product's problems from a pricing, display or advertising standpoint were echoed by Don Burgess, national sales director for Peerless Faucet, Indianapolis, who explained that one of the tested ways of increasing turns was to display the product—in this case, faucets—more clearly.

"We've done several studies that show that plumbing sells at a faster rate when the product is displayed so that consumers can understand the differences in quality and price," he said.

Burgess also said that retailers hooked into Peerless' expanded national television advertising program—which two months ago was quadrupled to $2.3 million—could reasonably expect their turnover to expand as well.

"The DIY market for faucets is expanding, and our advertising is stimulating that growth by showing how easy it is to install the products," he said. Burgess noted that he hadn't seen any marked inventory cutbacks among retailers, but said it was evident that "they are, in many cases, looking to cut back on faucet sku's."

He added that dealers should be able to get a six-time turn on faucets.

Product turnover when weighed against higher margins could be of secondary importance to dealers of higher-end fixtures, though. Bob Jewell, director of consumer products for Kohler Co., Kohler, Wis., said he had not heard from many re-

(Continued on page 46)

MERCHANDISING

Dale Denniston, buyer for the 100-unit Scotty's, Winter Haven, Fla., which carries $2 million worth of plumbing inventory, 900 sku's and turns the department in excess of five times annually, at average margins of 35%-40%.

"You can increase your turnover by reducing inventory, but if you're occasionally out of stock, your consumer image declines," he said.

This was also the case last year at the 21-unit, Ogden, Utah, Anderson Lumber which, over the past two years, has attempted to boost consumer sales (it is in the process of constructing a new 40,000-sq.-ft.). Merchandising vp Bob McHale said the chain recently took on a sprinkler system program and will carry a more extensive line of fixtures from Artesian, the Mansfield, Ohio, manufacturer, which will possibly increase the chain's overall plumbing fixture inventory by "25%-50%," he said.

Currently, the chain stocks between $100,000-$200,000 worth of plumbing and turns the products four-five times a year, a slight improvement over 1981, McHale said. "Even though we're using more loss leaders than ever in our promotions, our margins haven't been affected too badly because we are buying at the best price available from whomever we can." (Anderson's plumbing margins ran 35%-40% in 1982.)

Scotty's Denniston agreed. "I react to what our store requirements are, and we're simply anticipating better what plumbing products we'll need at different times of the year," he said. "Better buying means better turnover."

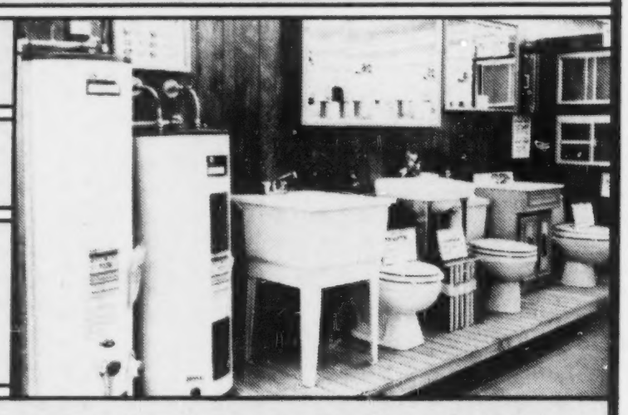
According to Bob Dell, vp-sales for Melard Mfg., Passaic, N.J., retailer buying decisions are being influenced more frequently by elaborate sales and turnover data companies like his are able to provide.

"Retailers are faced with an ever-increasing number of sku's in plumbing," he explained, "and if they don't get some direction, they wind up carrying stuff that nobody is buying anymore."

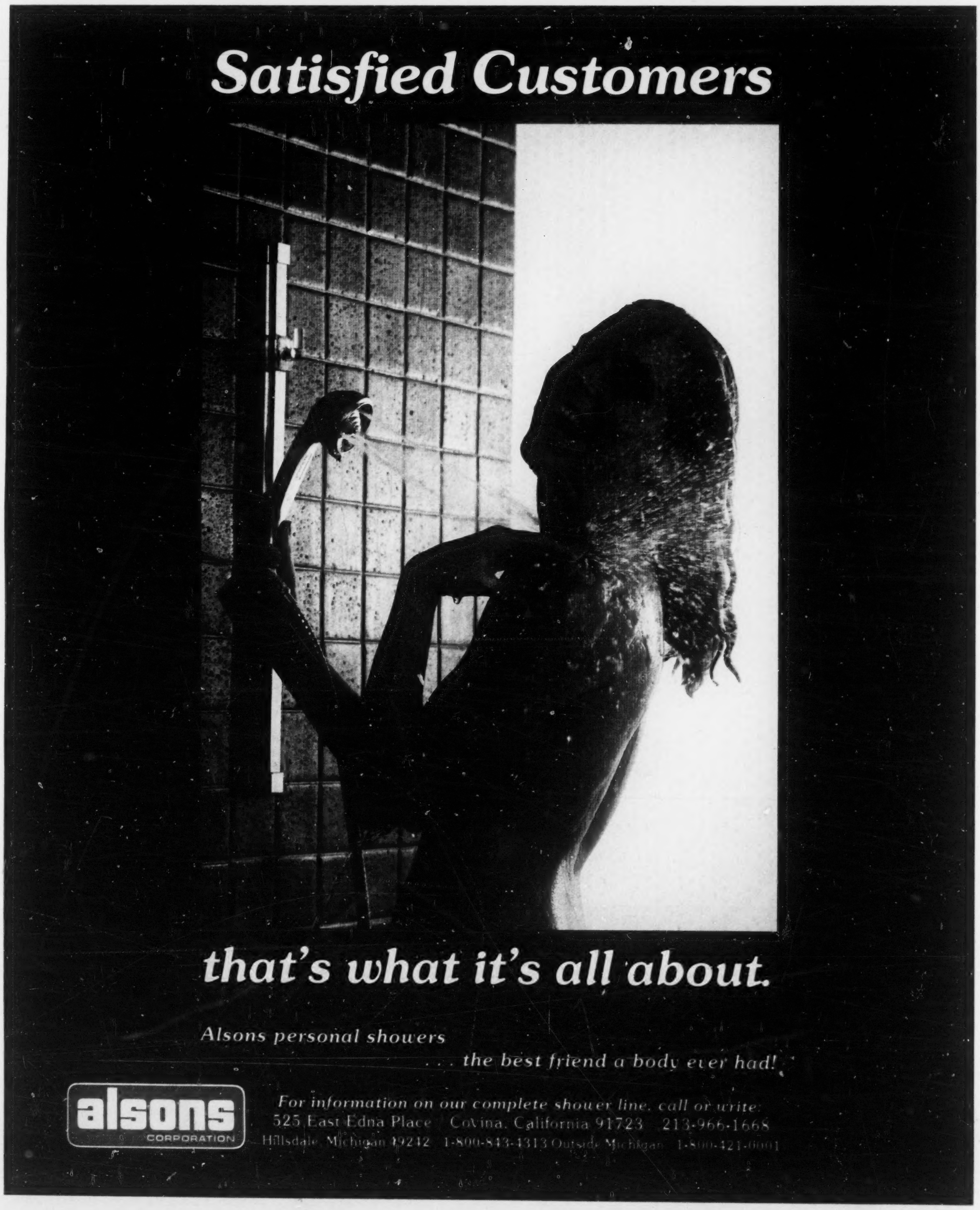
Melard, which sells to such chains as Hechinger, Forest City, Handyman, Pergament and Rickel, maintains a key customer list based on turnover and sales. "We use certain factors of comparison to show dealers what's turning and current around the country, and help them develop a program consistent with their philosophy," he said.

Dell noted that most home centers were no longer backstocking any carded plumbing, and were carrying only the most basic items. "Retailers realize that breadth of assortment does not always mean more sales." He added that a typical dealer should only have to trim

PLUMBING, HEATING & COOLING

$ Sales/Sq. Ft. 136.39	
Gross Margin 34.3	
Sales to Inventory Ratio 5.1x	

Source: 1982 The Bottom Line report: Retail Home Centers by The Home Center Institute; National Retail Hardware Assn.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THE NHCN ANNUAL REPORT ON THE HOME CENTER INDUSTRY

Lower markup strategy for lighting

NATIONAL REPORT—The home center lighting market became the target of aggressive pricing strategies last year, as retailers sought to increase sales volume by offering customers competitive everyday prices.

Chains like Dixieline, Stambaugh-Thompson and Payless Cashways were among a number of home center companies that avoided the high markup strategies used by some to encourage the perception of large savings during price reduction periods.

Michael Bryant, a lighting buyer at the Dixieline Lumber Co. of San Diego, said his company began to add more high-end merchandise to its stores after changing vendors half way through 1982. "We decided to sell the merchandise at 50% off the manufacturer's list price," Bryant said in a recent interview, "and although our margin came out lower, sales went up."

Bryant estimated that the five-unit California chain received an overall margin of 30% on lighting fixtures. However, the items themselves were being offered at prices well below those featured in lighting showrooms. The strategy generated enough added business to create a noticeable increase in the year-end profit, Bryant said.

Conrad Thompson, lighting buyer with Stambaugh-Thompson Lumber Co. of Youngstown, Ohio, said competitive pricing offered on a continuous basis provided his lighting department with an overall growth rate of 10%.

"We didn't over price and then offer huge reductions during sales," Thompson said, "but when we featured lighting fixtures in an advertisement, it meant the customer was getting even more of a savings than he did on our everyday prices."

According to Thompson, the pricing strategy still allowed the chain to enjoy an overall lighting margin of about 40%.

The buyer also said he was forced to reduce the inventory of chandeliers because of sluggish sales in that high-end product category. As in the past, basic incandescent fixtures, sold traditionally as replacement items, made up the largest portion of the chain's lighting department.

Thompson said the products gained market exposure from cabinet and vanity displays that included incandescent fixtures as lighting components. Newspaper and circular advertisements also included the fixtures as tie-in items for remodeling and redecorating projects.

Payless Cashways, the 110-unit chain based in Kansas City, Mo., reported increased lighting sales of 33% for products like decorative fluorescents. While those fixtures were said to be the hottest-selling products in home center lighting departments last year, Payless also logged sizable gains in the incandescent and outdoor lighting categories.

John Breedlove, the firm's merchandising vp, said sales in all three categories totaled $12 million in 1982. Incandescents took the largest portion at $7 million, while fluorescent, and flood and security fixtures followed with sales of $4 million and $1 million, respectively.

Much of Payless's marketing system for lighting fixtures comes from its relationship with the Diamond F Corp. Bill Sparker, sales vp for the Cleveland manufacturer, said the company offers six-month product reviews during which time

MERCHANDISING

sales representatives help retailers determine those products selling and those not selling.

Customers also receive promotional recommendations on price points and advertising, tailor-made lighting displays, and damage-resistant packaging that includes installation instructions.

Scotty's of Winter Haven, Fla., another Diamond F customer, last year began stocking light fixtures in the same area that they are displayed. Electrical buyer Bernard Perkins said overall sales for his department increased 23% to 25%. He attributed much of the gain to the addition of telephones and telephone accessories, however.

Plumbing

(Continued from page 45)

tailers who were overly concerned with improving the turnover of their fixture lines.

"We conclude from this that, on higher margin plumbing products, which is the category our line falls into, the profitability of the product is more important to dealers than improving turnover," he said. "I think turns draw more attention from dealers in their fittings lines, which have lower margins."

As dealers and manufacturers seek solutions to the constant dilemma of maintaining fast-turning, high profit plumbing fare, one trend appears to be emerging: an increasing number of dealers are experimenting with bulk merchandising in their plumbing and bath departments.

At the two unit Hal's Lumber and Hardware, Milwaukee, Wis., for example, vanity sku's were increased from 12 to 45, all the stock was moved onto the sales floor, and the vanities were stacked and sold in their cartons.

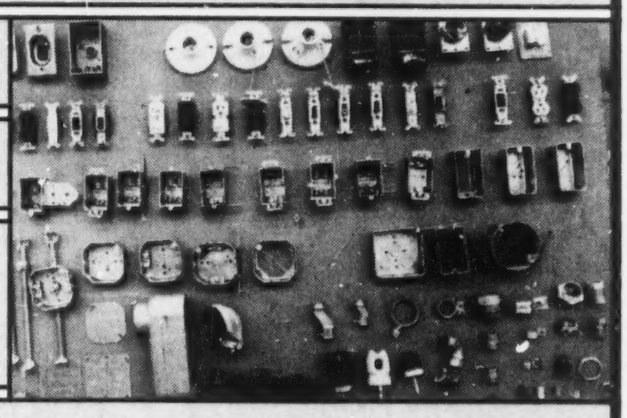
"We originally thought we'd get some static from our customers about having to buy the product out of a box," explained vp-merchandising Tom Gritz, "but it didn't happen, and our vanity turns have been much faster because of the overall lower price of the product."

Gritz said 12 vanities were still shown in a bathroom vignette setting.

At the 33-unit Wolohan Lumber, Saginaw, Mich., vp-merchandising George Poulos said the chain would "probably do quite a bit of bulk merchandising of faucets," and is looking to strike a balance between bulk and standard displays. "In proportion to the size of our stores," he said, "we'll probably be giving plumbing a lot more room this year."

Melard's Dell, in speaking about bulk merchandising, insisted the major difference was in the buying, not the depth.

ELECTRICAL SUPPLIES

$ Sales/Sq. Ft. 121.29	
Gross Margin 36.1	
Sales to Inventory Ratio 5.0x	

Source: 1982 The Bottom Line report: Retail Home Centers by The Home Center Institute; National Retail Hardware Assn.

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THE NHCN ANNUAL REPORT ON THE HOME CENTER INDUSTRY

Dealers try direct buy of hardware

NATIONAL REPORT—In 1982 five-unit Goodman Lumber bought about 60% of its hardware stock directly from manufacturers, up from 50% only a few years ago.

"We've worked with our distributors and have convinced them we'll be best served by their acting as fill-in suppliers," said chain secretary/treasurer Charles Goodman.

The San Francisco-based chain—which stocks an estimated $1 million worth of hardware in departments ranging up to 3,000 to 3,500 sq. ft., and turns the merchandise eight times a year—is but one of several home centers that have found direct buying to be a successful ingredient in their efforts to increase product turnover.

"We've tried to strike a balance between buying direct and taking products on a two-step basis," said Bob Sanderson, merchandise manager-hard lines for the 92-unit Boise Cascade, Boise, Idaho.

Boise, which carries as much as 2,000 sku's in its stores, recently put three units on a computerized perpetual inventory system and found that, in one of the stores, hardware turns jumped to six times a year from four in 1981. "I think that, over the long run, we could achieve this level chainwide," Sanderson said.

He also noted that, in order to increase turnover, the chain will have to reduce sku's from the current number, and drop margins slightly. However, there does not appear to be an actual consensus among dealers or manufacturers contacted by *NHCN* whether hardware turns are most beneficially affected by adding or dropping inventory sku's, or decreasing margins.

For example, the three-unit Star Lumber, Wichita, Kan., has seen its hardware turns escalate to four times a year, from three in 1981, by reducing its 3,500 sku's by about 100 while maintaining around $300,000 worth of stock.

"We took a four-year sales history of each sku, and then decided that the stuff which wasn't turning at all would be eliminated," said buyer Calvin Herrill.

On the other hand, the three-unit Economy Lumber, Denver, will increase its $100,000 worth of hardware stock in 1983 by 10%, and will, according to vp Steve Stookesberry, take on a wider range of decorative hardware products.

Stookesberry, whose chain turns hardware from five to six times annually, from four turns a year ago, attributed any sales increase to improvements in the housing market (50% of Economy's sales come from contractors), and stronger packaging by manufacturers, particularly in security hardware items such as locksets and deadbolts.

Weiser Lock Co., the Huntington Beach, Calif., manufacturer, has attempted to assist dealers in their sales efforts by devising stronger point-of-sale aids, such as more explicit header boards with DIY instructions, lock displays mounted onto a lock board as a working model, and wider use of POS literature.

"Most dealers are becoming much more conscious of security hardware," said domestic product manager Rich Julian, "and are pushing the products more frequently through their advertising."

Weiser, which markets its products in such chains as The Home Depot, Ernst Home Centers, Mr. GoodBuys and the Cotter, Ace, HWI and American hardware co-ops, has encouraged dealers not only to promote security hardware on a regular basis, but to be more selective in choosing their product mix.

"It's been an uphill battle, though," he said, "mainly because chain buyers have their own ideas about hardware merchandising that, at times, are more based on space allocation than the product itself." Julian noted the home centers have begun to show a marked tendency for devoting less space to hardware in general.

"You're seeing more turnover of hardware at retail because dealers are demanding it," said Bob Hibbard, senior national accounts manager for National Manufacturing, the Stirling, Ill., hardware maker. "And they are not unreasonable in their demands. We were lax in the past, and when a store ran out we just filled the pegs; now we and our dealers are more aware of what's selling, and when."

National, whose products are marketed by Orchard Supply Hardware, Sutherland Lumber, Boise Cascade, Moore's, Wickes and Hill-Behan, among other chains, makes about 4,000 sku's, of which 1,000 are regularly sold at retail and 540 in home centers. Hibbard noted that dealers were, over the past year, looking to concentrate their sku selection even further.

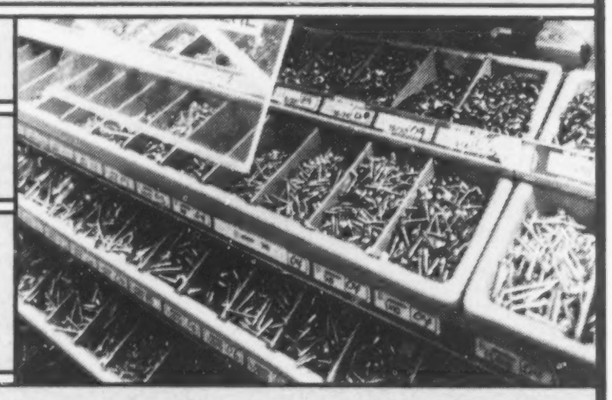
However, he was eager to point out that inventories do not appear to have been reduced dramatically at store level among National's dealers. "We have three standard-sized programs, running 12, 16 and 20 lineal ft., and the 12-ft. plan was the most popular until last year when the 16-ft. program took precedence, which indicates, I think, that dealers are taking on more inventory."

Hibbard's suggestion that dealers needed to scrutinize their hardware departments more carefully is one that the 17-unit Westlake Hardware, Moberly, Mo., is finally adhering to.

Hardware makes up almost one-third of the chain's volume and represents its largest department, with about 2,400 sku's in its larger, metropolitan units, according to district manager Fritz Braymen. But the department is turning only three to four times a year annually, far below the industry average of around six, according to manufacturer estimates.

Braymen said the chain, to improve the department's turnover performance, will reduce its sku count, which was up in 1982, by around 2%, mostly in the builders hardware lines "that we never should have been carrying in the first place." He added that the stores, which stock as much as $100,000 in hardware per unit, will probably see their inventory reduced only minimally.

HARDWARE

$ Sales/Sq. Ft. 131.02	
Gross Margin 38.3%	
Sales to Inventory Ratio 4.6x	

Source: 1982 The Bottom Line report: Retail Home Centers by The Home Center Institute; National Retail Hardware Assn.

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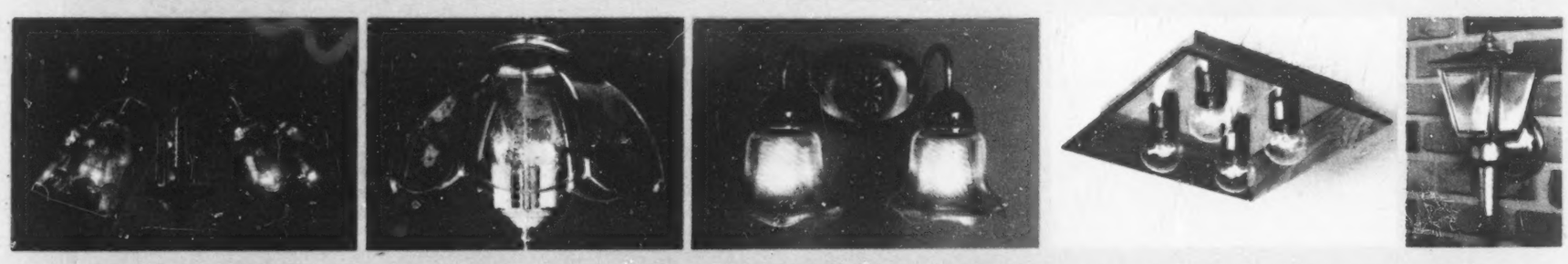

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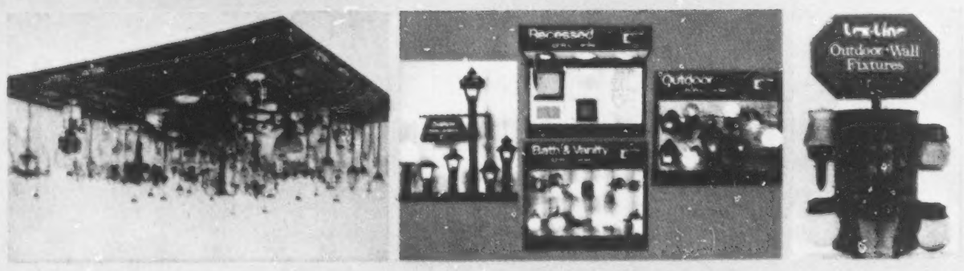

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THE NHCN ANNUAL REPORT ON THE HOME CENTER INDUSTRY

Retailers step up tool promotions

NATIONAL REPORT—Home centers reduced their tool inventories from 10% to 40% last year, and promoted their hand and power tool lines more frequently to produce a turnover rate that averaged four to six times annually.

Retailers contacted by *NHCN* said they were having difficulty making money on power tool lines and were finding that, with few exceptions, stationary equipment wasn't

MERCHANDISING

selling. However, margins remained at a steady 30% for the entire tool department.

Nevertheless, while dealers are now paying more attention to their tool sku assortment, few indicated they would be dropping many lines, but instead said they would be trimming the number of vendors supplying their stores, and concentrating more on buying items for promotional specials to improve tool turns throughout 1983.

The most drastic inventory cuts came last year at the four-unit Herr Lumber, Seattle, which eliminated 40% of its tool inventory down to about $30,000 at cost chainwide.

Herr buyer Bill Cooper said most of those cuts were made from the chain's stationary power tool offering, lines that, in the past, were purchased primarily by contractors. "Contractors, because of the economy, don't seem to be replacing their old equipment, and products like radial arm saws, stationary drills and even some bench tools were dropped because they just weren't selling."

Herr's tool inventory cuts propelled that department's turnover rate to five to six times annually, up from two to three times in 1981, at maintained margins averaging 30%. Cooper also pointed to a local advertising program the chain recently enacted as also contributing to the improved turn rate. However, he insisted that the profitability of all power tools remained low, and that further sku cuts may be necessary.

At 12-unit A. C. Houston, Wichita, Kan., tool sales jumped $60,000 to $70,000, or 8%, and turns increased to 4.2 times a year (from under three times) in 1982 by slimming down inventory 11%.

Buyer Duaine Weaver said that, along with inventory cuts, the chain began to include tools in its direct mail flyers and promoted the products in its once-a-week advertising. In addition, it has placed greater responsibility on its store managers to oversee more closely the ordering of tools, of which about 10% of the chain's total assortment is promoted regularly. (Weaver noted that the chain's tool margins of between 27% and 30.5% were coming in good part from its taking on Makita's imported line of high-end power tools.)

The 10-unit Chase-Pitkin, Rochester, N.Y., also reduced its tool inventory by 15% in 1982, part of a chainwide effort to trim inventory in all departments. President Steve Underwood said that, depending on the size of the order, he now approves some tool purchases for the chain. "We've been scrutinizing the inventory levels in all our lines," he said, adding that most of the tool cuts came from the accessories, stationary and bench tool lines.

The chain's tool turnover is still under three times annually, and Underwood said Chase-Pitkin would be concentrating this year on building sales through increased promotion, a tack that proved successful in the later stages of 1982. "We've been attacking the problem on so many fronts that it's difficult to say one thing is improving turnover over another," he said. "But several of the promotions we ran last year on tools increased sales, and we'll continue to pursue that business."

Another chain looking to boost turnover was the 57-unit Diamond International, North Highlands, Calif. Merchandise manager Duane Magill pointed specifically to the strong sales results from the chain's December tabloid that included a wide range of tools. He also said that Diamond recently ran a promotion on a contractor-type circular saw, "and we sold a ton of them.

"Our tool sales have suffered because the builders haven't been buying," he said.

While Diamond's tool department turns an average of four times annually, sales have been disappointing and the stores have been ordering in smaller quantities. "They used to be able to buy on a dropship basis, but now their purchases are too small," said Magill, implying this meant sales and turnover were slipping. He said that while Diamond may reduce its overall tool inventory, sku cuts were less likely and most of the trimming would come from cutting down on the number of vendors servicing the stores.

While some chains are juggling their inventories, looking for the right combination, others are leaning heavily on promotional efforts to boost the turnover rates in their tool departments.

For instance, 235-unit Lowe's, North Wilkesboro, N.C., was actually able to increase its tool inventory by 20% in 1982, mostly due to the number of imported products it took on as part of the chain's six-month old import program.

Merchandise manager John Buckles claimed the chain's turnover of tools improved "significantly in 1982," as did sales, which account for 2.5% of the chain's $1 billion volume, primarily because "of the promotional exposure we've given tools in our advertising." Buckles, when asked whether the chain's promotions were cutting into margins, insisted that "we can continue to promote and make money on tools as long as we have a broader selection our customers can step up into." (Lowe's promotes between 10% to 15% of its tool sku's.)

"Inventory control is important, but you don't want to cut out too much stuff," said Mike Carver, buyer for the nine-store Knox Lumber, St. Paul, which has also improved its tool turnover by including the products in its newly devised four-color tabloids. "Our turnover is getting better, and I give credit to the ads."

HAND & POWER TOOLS

$ Sales/Sq. Ft. 102.86
Gross Margin 32.6
Sales to Inventory Ratio 4.1x

Source: 1982 The Bottom Line report: Retail Home Centers by The Home Center Institute; National Retail Hardware Assn.

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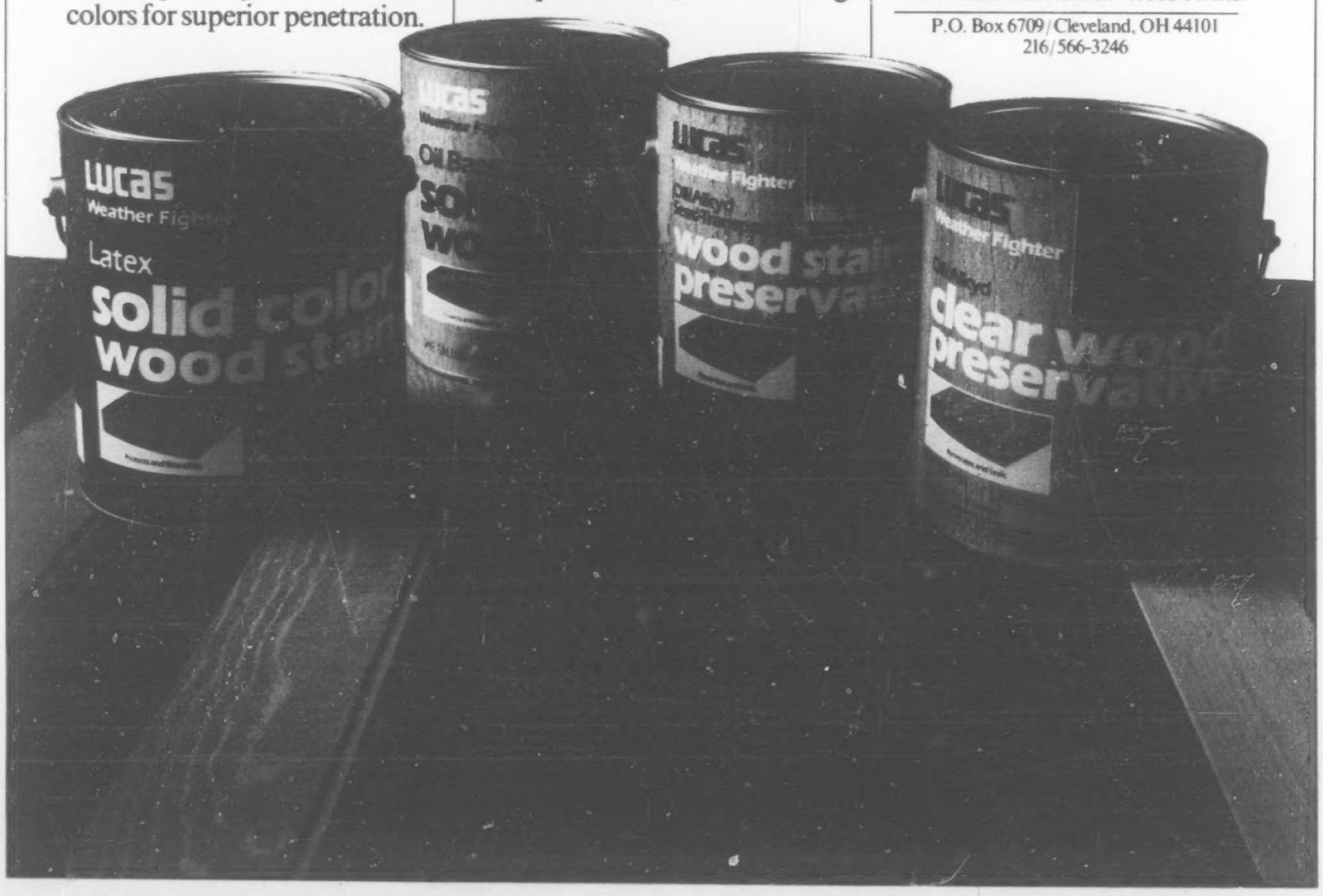


THE NHCN ANNUAL REPORT ON THE HOME CENTER INDUSTRY

Lumber moves to selling floor

NATIONAL REPORT—Last year was not the best of times in the lumber business.

Prices were off for most of 1982. Random Length's framing lumber composite price dropped to $160 per thousand board feet in August. Prices then rebounded around October with the composite reaching an average of $192 for December.

The opportunity for stronger profits was welcomed but the

MERCHANDISING

quickly shifting prices made buying decisions difficult. Overall the amount of lumber consumed by the repair and remodeling market was off by 5.1% to 7.2 billion bd. ft., according to the Western Wood Products Assn.

Retailers devised strategies to tap the dollars that were being spent. More lumber was brought on to the showroom at operations with adjacent yards, giving the customer more exposure to the product and therefore increasing the likelihood of a purchase.

Sales were buoyed by the extraordinary strength of the treated wood market as more Americans turned to their backyards for entertainment and added decks to increase their homes' comfort and value.

Chains that put more lumber on the selling floor included operations as diverse as Handy City, Payless Cashways, O'Malley's and Lowe's.

For chains like Handy City, where almost half the retail space was already taken up with the lumber and building materials, the effort was aimed at increasing the bulk look and adding a few extra sku's to provide the customer with choice, particularly allowing him to select a higher grade of wood.

At Payless, where lumber is consigned to adjacent yards, bringing product indoors was an attempt to boost sales through additional exposure.

Said John Breedlove, merchandising vice president, "So many things are in the yard and no one knows they're there."

Payless added 8-ft. lengths of boards as well as 8-ft. studs and modeling to its stores, most of it displayed horizontally.

The chain now also offers hardwood plywood in 2x4, 3x4 and 4x4 sizes stored in three-tiered pigeonhole racks that taper in depth from bottom to top to accommodate all the sizes.

Like Payless, O'Malley's, based in Phoenix, also has lumberyards adjacent to its stores. Last year the 19-store chain began revising its merchandising. In stores that have been remodeled so far, the amount of lumber presented inside has increased by 20% to 60%.

"We haven't added sku's," said general merchandise manager Steve Elliott, "We brought in more yard selection. Instead of just representation, we now have stock."

Lowe's continued the process of moving more lumber onto its selling floors from the adjacent Wood World warehouse, which was located just off the selling floor and was not drawing customers. The change is a refinement of Lowe's RSVP formula and has proven successful.

The increase in lumber at Handy City and at Channel reflects the effort by W. R. Grace to make its Southeastern operation more closely resemble the bulk merchandising of a chief competitor, The Home Depot. At the same time, Channel, W. R. Grace's Northeastern home center, also added more lumber to more closely resemble the heavier lumber presentation of Handy Dan, the corporation's Southwestern entry.

At Handy City few additional sku's were added but more material was put on the sales floor. "Lay down" lumber was "double tiered," for example.

When items were added, it was generally a matter of offering the customer more choice. For example, the shopper in search of a 1x12 board will now find a No. 2 or better spruce as well as No. 4 ponderosa pine, which before was the only board offered.

In addition, "stand-up" racks with fir boards of varying lengths and widths have also been added along with some new fencing products like a 1x6x5 cedar board unit, a foot shorter than usual in an apparent attempt to gain a sharp price point.

The Grace strategy, if not all the specifics, can probably be traced back to Frank Denny, who resigned recently as head of the corporation's home center division to open his own chain.

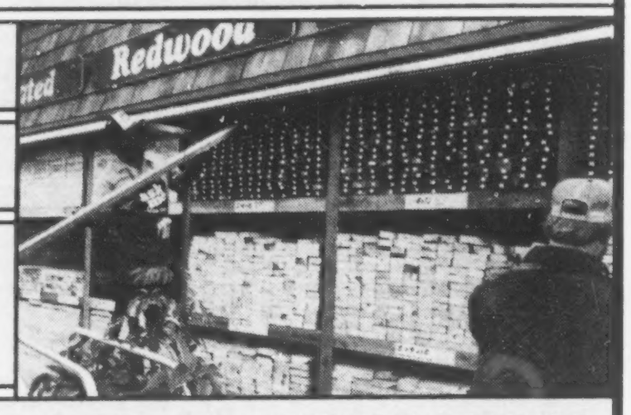
"If anything the trend would be to offer a choice," he said about what happened in home center lumber retailing last year. At that, Denny insisted the trend was nothing new.

"It goes way back to Handy Dan, which was opened in what was historically a yellow pine market," he said. "One of the

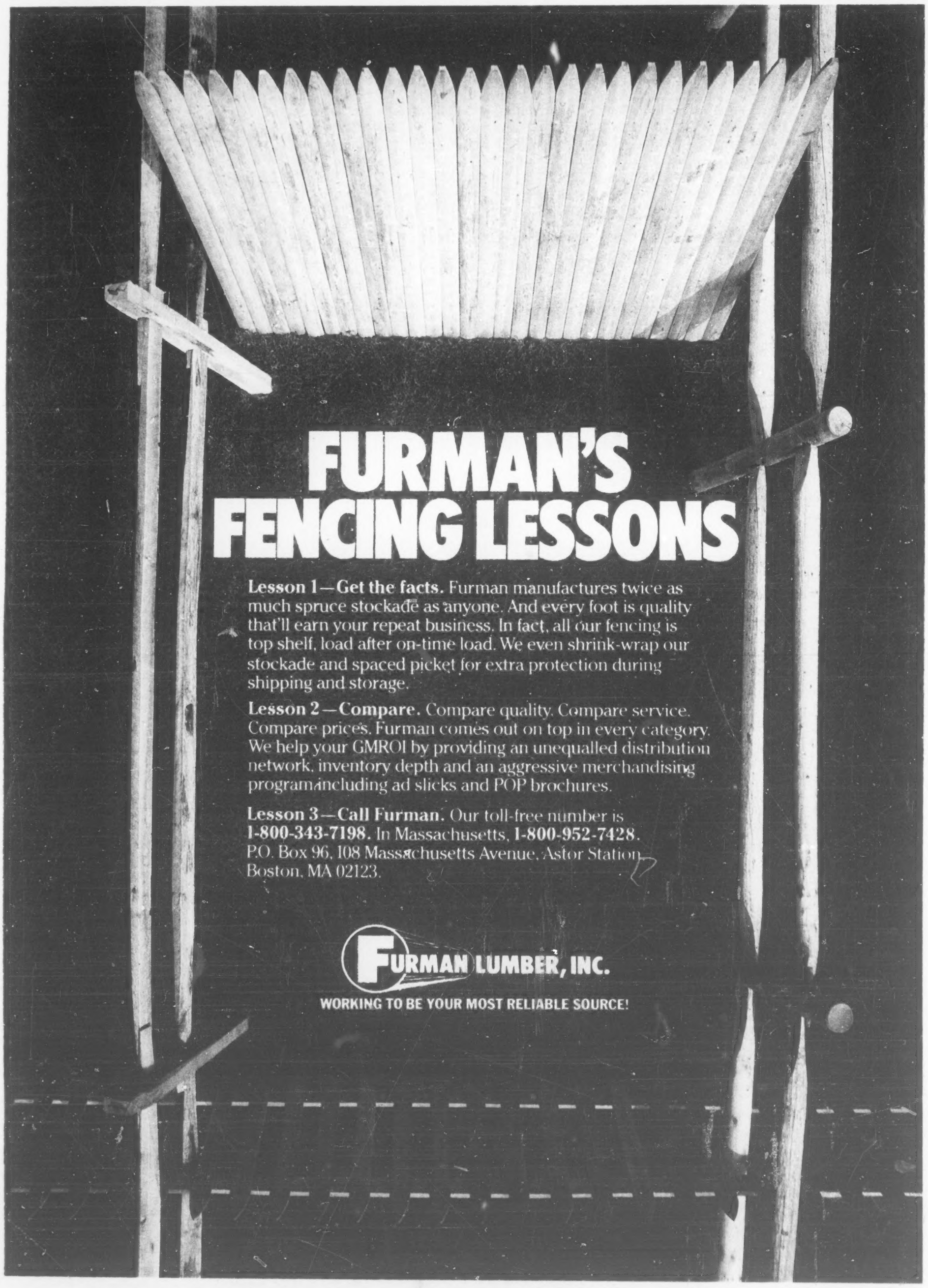
(Continued on page 56)

LUMBER

$ Sales/Sq. Ft. 237.62	
Gross Margin 23.6	
Sales to Inventory Ratio 7.7x	



Source: 1982 The Bottom Line report: Retail Home Centers by The Home Center Institute; National Retail Hardware Assn.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THE NHCN ANNUAL REPORT ON THE HOME CENTER INDUSTRY

2 views on selling building supplies

NATIONAL REPORT—Home centers sold building materials to two basic kinds of customers last year: those who wanted low prices on quality merchandise and those who wanted low prices.

The distinction caused some retailers to implement aggressive pricing strategies which sought to undercut their competition on as many items as possible. Others decided instead to focus merchandising

MERCHANDISING

initiatives less on prices and more on service and inventory selection.

John Kiss, marketing vp at the Paty Lumber Co. of Piney Flats, Tenn., said the secret to selling quality building materials at competitive prices comes simply from the right buying decisions.

The six-store chain, which draws 60% to 65% of its revenues from lumber and building materials sales, has traditionally avoided the low-end market, selling instead to customers who are looking for good buys in a particular quality range.

"We do a sufficient volume to get a pretty good price [on direct purchases]," Kiss said recently, "but we also belong to a buying cooperative which means our purchases are still direct, but routed through the group."

According to the marketing executive, Paty also has developed the reputation of being a building materials expert. "Our company was 50 years old in December, and probably because of the work we've done with contractors, people are sometimes more likely to shop with us."

Paty sold $12 million in building materials last year, reflecting seven turns for that period. While a drop in home building brought sales down slightly from 1981, Kiss expressed confidence in the 1983 construction market. The company also has upgraded its use of computers in the past three years, lending optimism to the belief that market futures will steadily become more calculated and less like guess work.

David Cohen, the lumber buyer at Somerville Lumber & Supply Co. of Somerville, Mass., said some retailers can make the mistake of sacrificing margin returns on building materials to attract business. "But we were working with a one-third margin for some time," he said. "Now I think we're pushing 40%."

BUILDING MATERIALS

$ Sales/Sq. Ft. 263.98	
Gross Margin 24.4	
Sales to Inventory Ratio 7.1x	

Source: 1982 The Bottom Line report: Retail Home Centers by The Home Center Institute; National Retail Hardware Assn.

The two-store independent, which sells four truckloads of gypsum each week from its Somerville outlet, bases much of its selling strategy on service and inventory selection.

"We're the only place in the area where someone can come to buy everything he needs for a project," the buyer added. The company also offers free, next-day delivery to its customers.

However, building materials are viewed basically as price-sensitive items by Jim Mikan, a buyer with Gee Lumber of Chicago. "No one goes to see what drywall or insulation looks like—they know what it looks like," Mikan said recently. "So what they're mainly interested in is the price."

While Mikan said Gee Lumber doesn't always offer give-away prices, building material products are featured regularly in the company's monthly advertising circular. According to Mikan, turns for building materials vary between 12 per year for gypsum and three per year for less popular items. Margins also vary, hovering somewhere near the 35% level on everyday prices and then falling to between 20% and 25% during price reduction periods.

"But what we do is feature a complete line of products," Mikan said. "For instance, some people only carry 5-gal. buckets of joint compound while we carry a whole selection.

"We think of ourselves as offering full service, and that's what I think draws the customers," he said.

Ron DiRamio, building materials buyer for Plywood Ranch in Braintree, Mass., said success in building material sales depends solely on the retailer's ability to offer the best price in town. "It's as simple as that," he said.

Plywood Ranch implemented a "5% policy" last year, which gave customers 5% off competitors' prices on identical items such as ceiling and wall panels. "But the customer had to bring in the competitor's ad to get the savings," DiRamio said.

The company's on-floor sales staff also is said to try and undercut competitors on individual sales. "Salesmanship is a top priority with us. We're not finger pointers," the buyer continued, "and we leave most of the sales decisions to the individual stores."

DiRamio said Plywood Ranch does not offer giveaways, however. "Over the past four or five years we've been strengthening our commitment to quality and consistency," he added.

"But we get our margins from where everyone else does—the add-on merchandise," DiRamio continued, "We pick up some points on nails and other hardware items, and on decorator products.

"We also get a lot of repeat customers because of our direct mail list," he said. "I think we're going in the right direction for the first time in 10 years."

Lumber

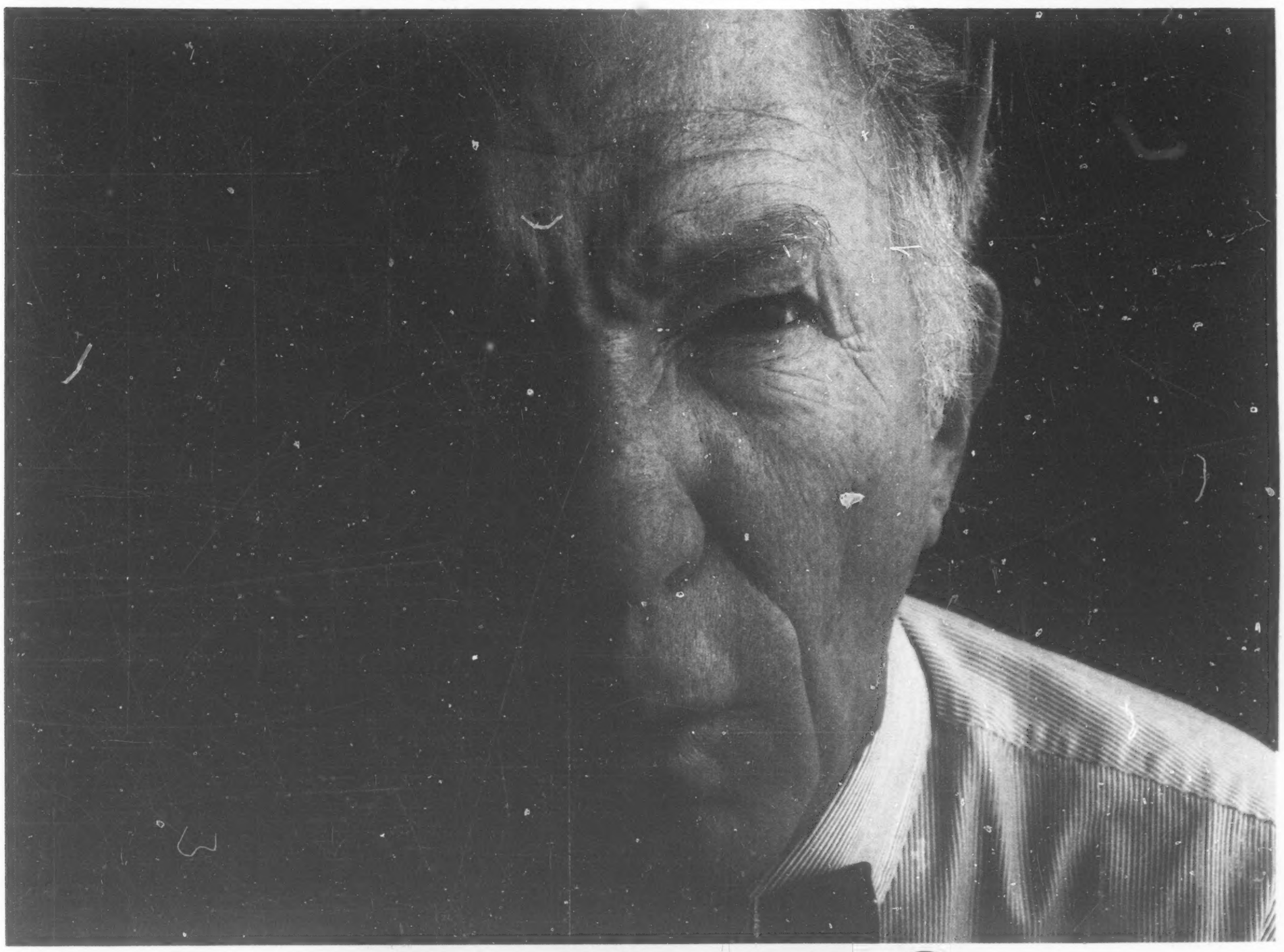
(Continued from page 55)

first things we did was to change over to white woods."

Of course, not all operations increased selection last year or brought more lumber inside. At Lampert Yards, St. Paul, Minn., lumber is mostly stored in sheds, except for some paneling and short boards that are kept in the showrooms, according to Ray Kramer, product merchandiser.

He said the 37-store chain, which generally serves rural markets, chooses to keep most of its wood outside.

Lampert's experience demonstrates the difficulty in buying in the kind of relatively low and erratic lumber market that existed last year, especially when a chain is located in an area like the upper Midwest, which was so hard hit by the recession.



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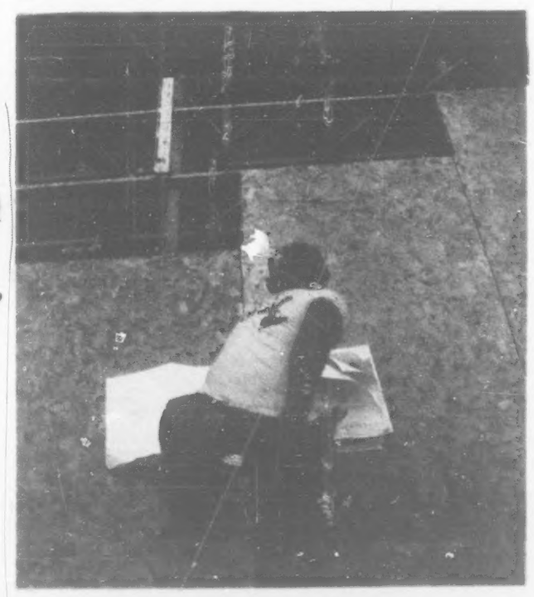

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LP WAFERWOOD
The Smart Man's Plywood

ENERGY-SAVING PRODUCTS

INSIDE

Window and door merchandising

Energy efficiency and security are two reasons why steel entry doors continue to grow in popularity, according to a recently completed survey of home center retailers conducted by *NHCN*.

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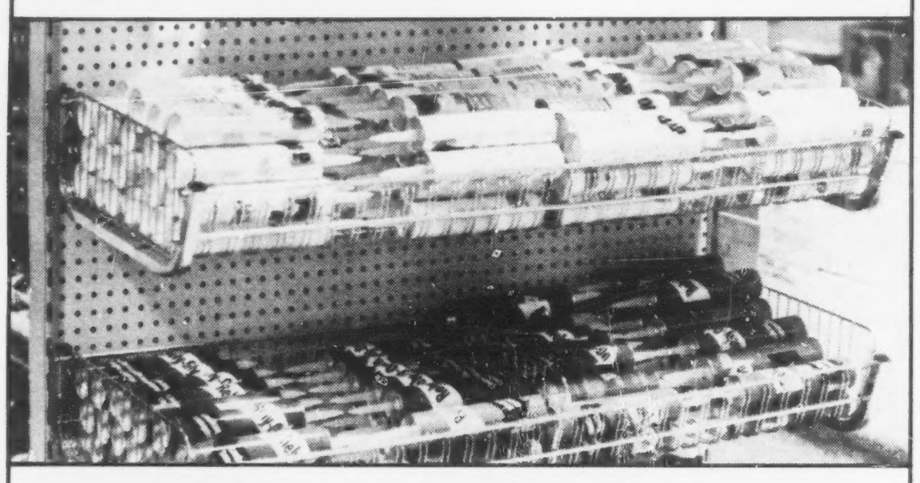

Plugging high-end caulk lines

Home centers are offering an amazing array of caulk products and consumers seem to be attracted to the more expensive latex and silicone varieties.

18

A ceiling fan for all seasons

While many retailers report unexpectedly high ceiling fan sales through this spring, several dealers outside the southern Florida and Arizona markets are still trying to move the product.

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Energy tax credit program losing vigor as crisis ebbs

Incentive to expire in '85

WASHINGTON—Despite Reagan Administration budget concerns, the Federal residential energy tax credit program will continue subsidizing purchases of weather stripping, storm windows and other home center insulation lines through the end of next year, when the program is scheduled to end. However, extension of the program past Dec. 31, 1985, is questionable.

Under the current law, both homeowners and renters can claim a credit on their Federal income tax for up to $300 (or 15% of the first $2,000) spent on certain energy conservation products annually.

According to the latest available Internal Revenue Service figures, the Federal Government paid out more than $4.7 million worth of these residential energy credits during 1979 alone.

At 15%, the IRS "revenue loss" figures indicate that the Federal Government is subsidizing the purchase of more than $30 billion worth of energy conservation materials and products annually. The most frequently subsidized lines include household insulation, and storm windows and doors, officials at the tax service told *National Home Center News*.

IRS officials stressed that the credit is not available for "structural or decorative" products including wood paneling, carpets, drapes and exterior siding. In addition they said that wood burning stoves are not considered energy conserving items. This is also the case with skylights.

The law, prompted by the energy crisis of the 1970's, was passed as part of the Energy Tax Act of 1978. In passing the law, Congress mandated that the credit expire on Dec. 31, 1985.

Considering the belt-tightening times and the Government's continuous search for new ways to raise revenue, it is questionable whether Congress will approve legislation extending the credit past the 1985 sunset date.

In addition, use of the tax credit incentive by homeowners declined steadily from 1978 through 1980, according to IRS tax credit information. In 1978, approximately 6 million taxpayers claimed an energy tax credit—6.6% of the 89.8 million Americans to file returns that year. In 1979, 4.9 million took advantage of the energy credit (5.3% of the total returns filed that year), and in 1980, just 4.6 million returns claimed the energy tax credit (4.9% of the total returns filed).

IRS energy tax credit information is available through 1980, and findings for that year are still preliminary.

Energy tax credit information—1978-80

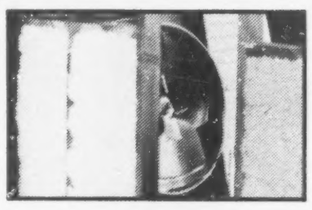
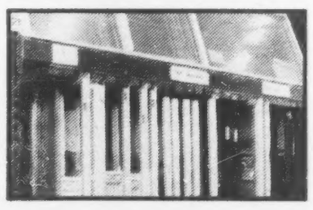
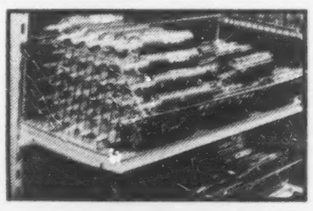
	1978	1979	1980*
Total tax returns filed	89.8 million	92.6 million	93.6 million
Returns claiming energy credit (% of total returns)	6.0 million (6 6%)	4.9 million (5.3%)	4.6 million (4.9%)
Dollar amount spent on energy items	$4.1 billion	$3.3 billion	$3.2 billion
Total energy credit	$559.4 million	$436.8 million	$556.8 million**

**1980 figures are preliminary*
***Total energy credit figure for that year includes solar and geothermal renewable energy source credits*

Source: IRS; NHCN chart

According to IRS energy tax credit information, the number of tax returns taking an energy credit successively declined as a percentage of total returns between 1978 and 1980. The dollar amount spent on energy projects also went down, from a high of $4.1 billion in 1978 to $3.2 billion in 1980. Energy tax credit information compiled by the IRS is available through 1980. Findings for that year are still preliminary.

Homeowners' spending on energy-saving products

Product	1978 No. of returns with energy claims	1978 Dollars spent	1979 No. of returns with energy claims	1979 Dollars spent
INSULATION 	3.9 million	$1.8 billion	2.9 million	$1.3 billion
STORM WINDOWS 	3.4 million	$1.8 billion	2.5 million	$1.4 billion
CAULKING 	1.6 million	$89.4 million	1.4 million	$467.3 million
OTHER (includes items like thermostats and weather stripping)	825,000	$425.0 million	909,000	$467.3 million

Source: IRS; *NHCN* chart

Homeowners spent less on high-ticket projects during the second year credits were available and more on less expensive energy improvements, based on IRS energy credit information. The IRS only has a project breakdown of energy credit spending patterns for 1978 and 1979.

LUMBER REPORT

Price peak reached; leveling off expected

By Hawk Furman
Special to NHCN

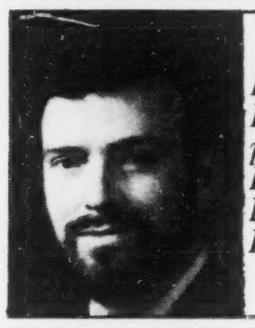
The lumber market in 1983 started out with a bang. Prices rose as much as $100 or more per thousand board feet on dimension lumber from October 1982 to January 1983. Douglas fir 2x4 random length dimension was priced at $139 per thousand board feet in early October and $270 per thousand board feet in late January. Prices in most softwood lumber items have adjusted downward from January highs. The question is where do prices go from here?

Market demand

Demand for softwood lumber and panelboard products is significantly better now than in 1982 and it is expected to stay strong through 1983. Home building has led the way. Housing start figures, reported at seasonally adjusted rates of 1.6 million to 1.7 million units through March, show the strength of current demand.

Lumber supply

A majority of the lumber mills in North America are currently breaking even or making money. Increased profits beget increased production. There can be no mistake the mills are pumping the wood out from British Columbia to Alabama to New Brunswick. Despite flooding in the South, logging restrictions due to weather in the



Hawk Furman, president, Furman Lumber, Boston

Pacific Northwest and inland empire, the mills continue to produce at near capacity. The western spf mills during late spring continued to hold their price levels in anticipation of tremendous demand, despite the inability to sell their entire output.

Will there be enough demand to absorb the increasing production of wood products? Many mill executives are cautious and feel that we have seen the high prices for the year. They feel production has come on so strong that it is meeting demand and an equilibrium has been reached. They are now concerned about overproduction. Lumber exports will not absorb the increasing production as they are forecasted to only increase 10% over 1982 levels. The major factor that could curtail production and increase price significantly is a strike. Western Canada and United States wood workers have contracts that expire in a period from the first of June through the middle of July.

Panelboard Supply

One area where supply should not be a problem is panelboard. Plywood inventories are up 31% in wholesale distribution yards over the same period last year. Alternative products like waferboard, oriented waferboard, and oriented strandboard are supplementing the existing panelboard market and challenging plywood's market share. We should see stable prices in plywood, while waferboard will probably increase modestly in price because of the price discount to plywood and the acceptance of these new products in the marketplace.

Retail inventories

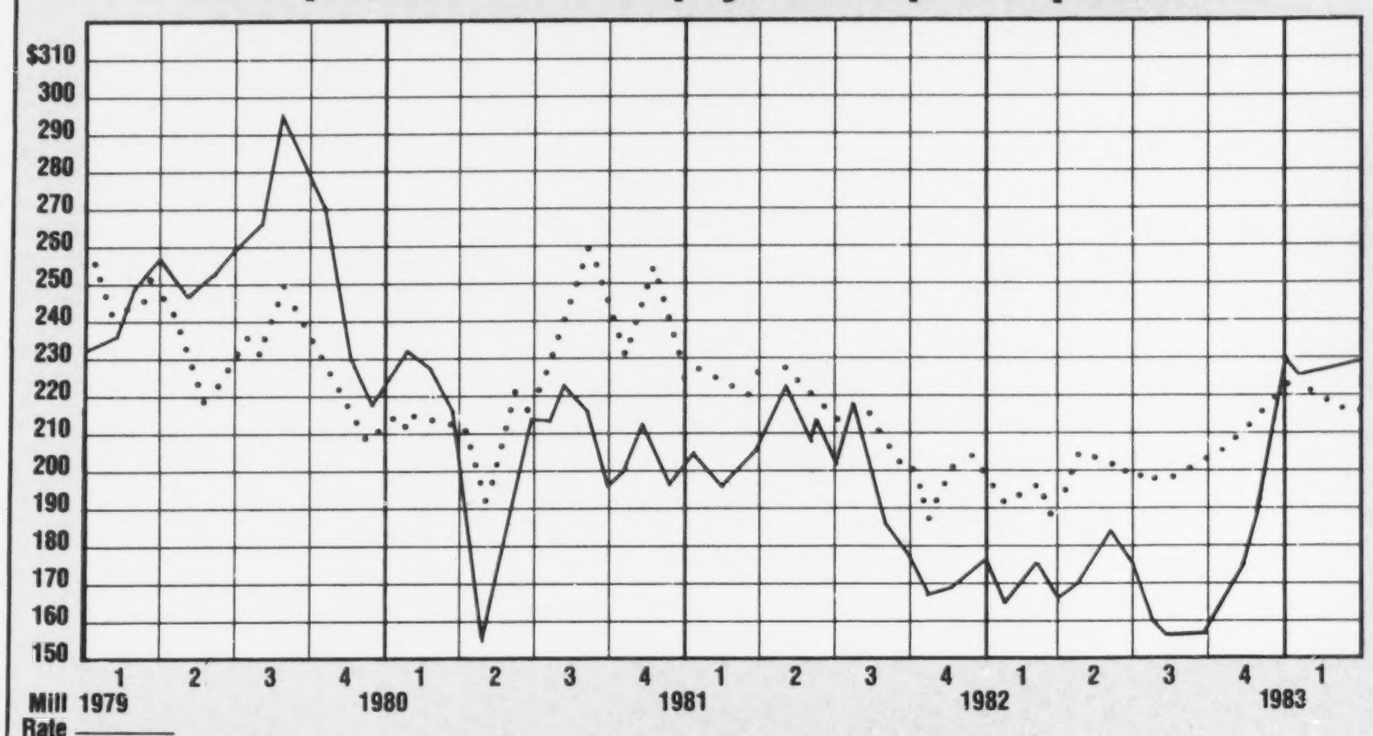
Retail inventories are moderate to high. Severe spring weather throughout the United States has delayed the pull-through of wood products out on the job sites. The retailer is in no particular hurry to buy additional inventory until present inventory begins to move.

Financing the home

Lower interest rates on mortgages are making houses more affordable. Currently, mortgage rates are in the 11%-13% range. Commerce Secretary Malcolm Baldridge is predicting lower interest rates as long as the Federal deficit can be cut. Banks have plenty of money for lending but are scared to lend out long at fixed rates. This could be changing with increased competition

(Continued on page 52)

Composite lumber/plywood price profile



Framing lumber, $/1,000 bd. ft. ..... Plywood, $/1,000 sq. ft. Source: *Random Lengths*

Framing lumber composite prices have leveled and remained strong since the surge late last year and in January. Plywood composite prices, which experienced a less dramatic increase, have dipped somewhat.

The strength of the lumber prices results from strong demand, with housing starts for the first quarter of this year averaging almost 1.7 million units, seasonally adjusted. At the same time, inventory levels had reached historic lows and log decks were down.

The softening of plywood prices is apparently due to the adequacy of supply, since production for the first quarter, 5.02 billion sq. ft., was at its highest level in four years, according to the American Plywood Assn.

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Jake Wood, Market Manager, Wholesale/Hardware

Pine, ash and birch boards are displayed vertically in one aisle at Neiman-Reed's Lumber City prototype store in Reseda, Calif. NHCN photo

Lumber report

(Continued from page 51)

among thrift institutions to funnel their funds back into the marketplace. A bill being considered by Congress could be a long-term boom to housing and the Savings and Loan institutions. The "Mortgage Retirement Account" (MRA) unveiled by Senate Housing Subcommittee chairman John Tower would allow part or all of an IRA as down payment on a new principal residence. It would also permit an IRA to be used as a down payment for the principal of an existing mortgage. President Reagan is changing his view on cut-rate mortgage revenue bonds and he is leaning toward extending Federal tax exemption authority for mortgage bonds. These local and state bonds provide mortgage funds at a substantial discount in interest rates to conventional mortgages. Things bode well for financing the American Dream.

Immediate future

There will be a continuing good volume of softwood lumber and panelboard business in the coming months, but with production levels up, don't look for a runaway market. Strikes, summer shutdowns, and chip problems might force some price bubbles, but the prudent retailer won't speculate heavily and will buy what is needed when it's needed.

Trade groups recommend ½-in. VHS format

NATIONAL REPORT—Home centers deciding what format of videotape equipment to buy for educating personnel and shoppers alike may be pleased by a recent decision by hardware industry trade associations intended to help retailers and wholesalers avoid duplication and incompatibility problems.

Three trade groups—the National Wholesale Hardware Assn., American Hardware Manufacturers Assn. and the National Retail Hardware Assn.—have recommended the ½-in. VHS format as the preferred system for companies purchasing videotape equipment for in-store or educational purposes.

VHS equipment is manufactured by about half a dozen companies and marketed under more than 15 brand names.

However, the associations suggest that those in the hardware industry be prepared to distribute programs in both the VHS and Beta formats. While Beta and VHS cassettes are not interchangeable, the use of both systems will prevent Beta equipment from becoming obsolete. However, businesses purchasing new equipment or implementing videotape systems for the first time, should choose VHS, the associations said.

Educational programs sponsored by the NRHA and the NWHA utilize film instead of videotape. NRHA employs Fairchild Super-8 players for its series on employee training, consumer information and point-of-purchase product demonstrations. NWHA's "Hardware Education for Profits" program is shown on the LaBelle filmstrip format.

READ CLASSIFIED ADS

FUTURES

Two weeks ended April 29, 1983

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
May	193.60	186.50	193.20	188.80	2,136	209.50	151.50
July	211.40	203.10	211.20	204.80	4,921	217.60	158.00
Sept.	218.50	211.30	217.10	213.10	1,745	221.00	163.80
Nov.	220.20	214.50	219.10	215.60	1,699	221.70	168.00
Jan. '84	228.30	222.50	227.00	223.80	579	228.30	179.00
March	234.20	228.50	233.20	230.00	264	234.20	206.50
May	240.00	236.30	239.50	236.90	38	240.00	228.60

Total Contract Vol. (Through 4/29): 25,374 — **Previous Two Weeks: 22,953**
Total Open Interest (As of 4/28): 11,394 — **Previous Week: 11,335**
Cash Price: $187.18 — **Previous Week: $185.22** — **Year Ago: $121.52**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
May	199.50	189.90	194.00	194.20	413	216.40	167.00
July	206.60	194.30	206.60	198.30	1,260	221.00	170.00
Sept.	210.40	198.20	210.40	202.20	726	223.90	185.00
Nov.	210.00	201.50	205.80	205.40	230	226.60	201.50
Jan. '84	213.00	204.50	211.50	208.20	54	213.90	201.20
March	215.50	208.50	214.50	211.00	12	217.50	208.50

Total Contract Vol. (Through 4/29): 4,812 — **Previous Two Weeks: 1,604**
Total Open Interest (As of 4/28): 2,651 — **Previous Week: 2,532**
Cash Price: $184.24 — **Previous Week: $184.24** — **Year Ago: $158.76**

COMMODITY RESEARCH BUREAU INDEX:	This Week 246.7	Previous Week 246.6	Year Ago 254.4

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, April 28.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

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SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Boise Cascade	3/31-1st qtr.	$ 777,740	$ 714,740	9	$11,130	$ 5,560	100
Evans Products**	3/31-1st. qtr.	155,304	137,096	13	1,532	– 515	—
Forest City	1/31-Year	338,768	340,302	—	13,691	8,578	60
W. R. Grace	3/31-1st qtr.	1,351,943	1,463,173	– 8	32,938	144,176	– 77
Lowe's	3/26-4 wks.	89,600	67,700	32	—	—	—
Pay 'N Pak	2/28-4th qtr. 2/28-Year	38,705 187,338	38,436 180,974	1 4	1,377 6,368	1,774 7,199	– 22 – 12
Scotty's	4/2-5 wks. 4/2-3rd qtr.	39,332 95,897	32,889 77,935	20 23	— 3,373	— 4,051	— – 17
Southwest Forest Inds.	3/31-1st qtr.	142,000	144,948	– 2	– 6,855	– 4,603	—
Wolohan Lumber	3/31-1st qtr.	16,891	10,561	60	– 256	– 599	—

*$ in thousands
**Revenues and operating income for retail division only.

Scotty's quarterly sales up 23%

WINTER HAVEN, Fla.—A lower year-to-year gross margin and a more competitive environment which led to larger ad and promotional expenditures produced lower net earnings during Scotty's third quarter ended April 2, according to Dennis W. Stults, the chain's executive vice president.

The 100-store company saw net income fall 17% to $3,373,000 from the third quarter in the previous year.

Scotty's scored a record high 32.63% gross margin in the third quarter of 1982 but could not come near duplicating the number, which slipped to 30% this year, Stults indicated.

While Scotty's quarterly bottom line results were not impressive, its recent sales reports have been, however.

Quarterly volume rose 23% to $95.9 million, added by a 20% rise in sales during the five weeks ended April 2 to $39.3 million.

Sales at comparable stores, opened at least one year, rose 14.2%, the second straight quarterly increase and the highest gain in nearly two years.

While consumer sales remained strong, builder volume also increased by 43.6% from the same quarter in 1982 and claimed 24.9% of total volume, its largest percentage in almost two years.

In another development, Scotty's chairman and ceo James W. Sweet said the chain's Auburndale, Fla., unit has taken on a new POS and data collection system as a test. The company has signed an agreement with ICL, a subsidiary of International Computers Ltd. of England, to extend the system throughout the chain following acceptance of the test as successful.

Evans Products' retail div. shows 13% sales gain

PORTLAND, Ore.—A pick-up in housing activity, favorable weather conditions and general economic improvement contributed to a profitable first quarter for Evans Products' building products groups, including its retail division, according to company officials.

Last year's first quarter had produced red ink for the retail, shelter products and forest-fiber products groups at Evans.

The retail division, the largest of the three, produced $1.5 million in operating income on a sales gain of 13% to $155.3 million in the most recent period compared to the same time in 1982.

A 12% gain in cash-and-carry sales combined with a 19% increase in contractor trade sparked the retail group, which had recorded a $515,000 operating loss in the first quarter last year, officials said.

The division operates stores under the names of Grossman's, Moore's, Lindsley, Alamo Enterprises and Hubbard & Johnson.

The building products' gains, which were still seasonally low, could not produce an overall gain for the company during the period, however, as severely depressed conditions continued for Evans' railcar and steel castings businesses, and interest expenses remained high.

Overall, Evans reported a $15.3 million net loss for the quarter against an $8.9 million loss in the same period a year ago. Revenues in the most recent quarter declined 16% to $242 million, officials said.

In another development, Evans' board of directors declared a 10% stock dividend, payable June 24 to stockholders of record on May 16.

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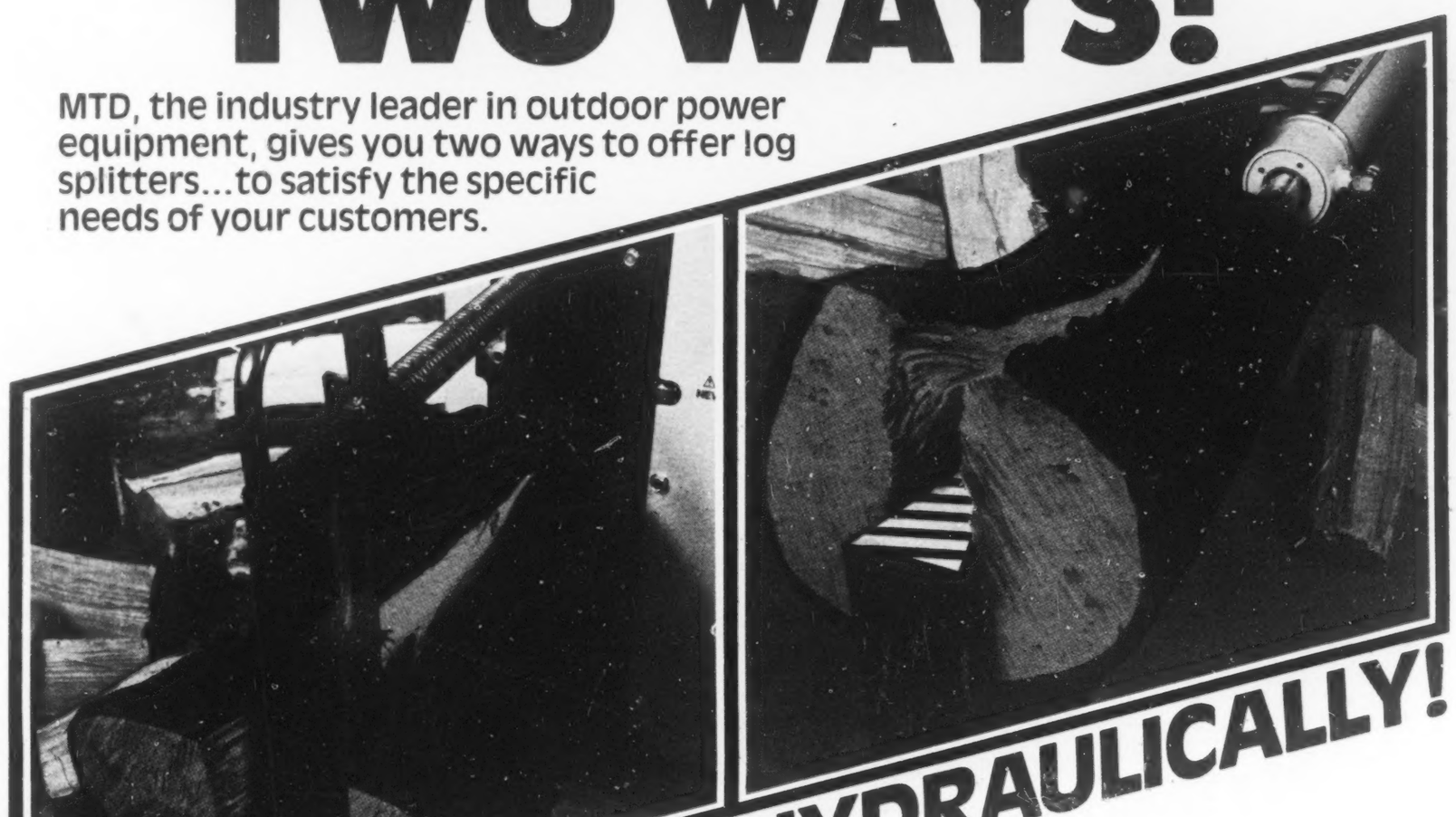

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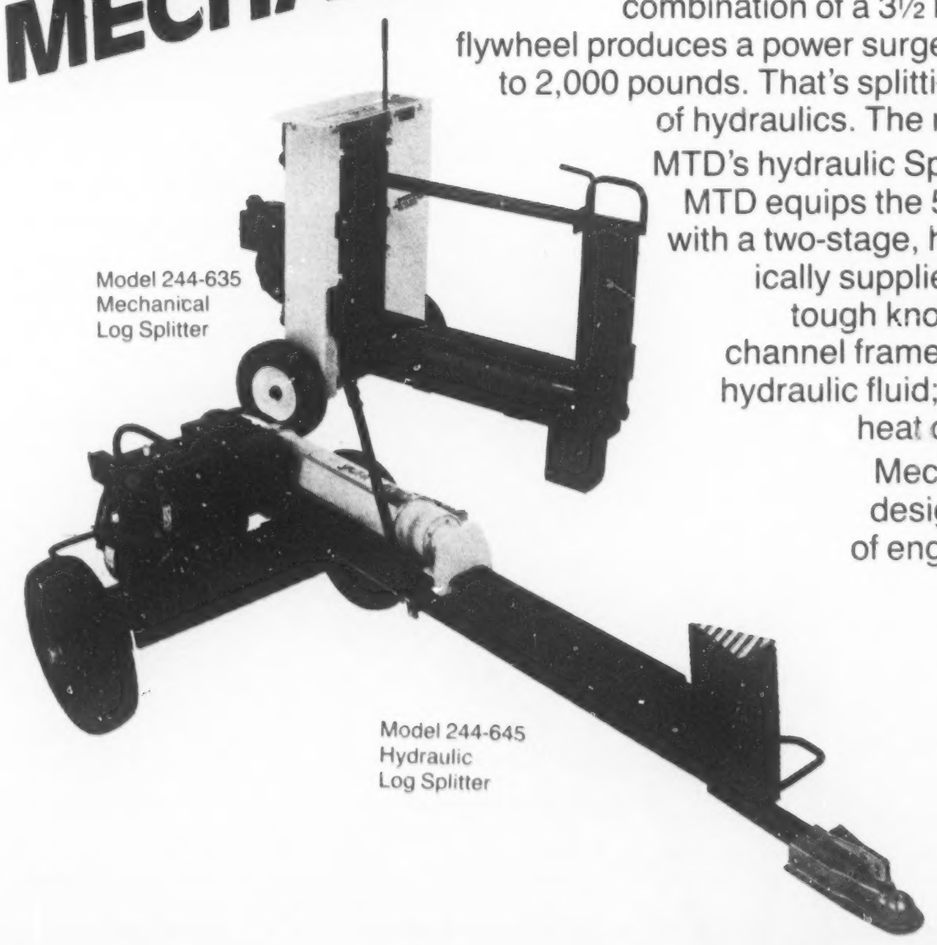

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Model 244-645
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National
Home Center News ®

Vol. 9, No. 12 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. June 6, 1983

Shopper is dwarfed by merchandise stacked in bulk on steel racks at Grossman's new Price Club-style outlet in Ventura, Calif. NHCN photo

Grossman's introduces new bulk display outlet, discount membership

By Brad Altman
NHCN West Coast editor

VENTURA, Calif.—Grossman's has jumped on the warehouse bandwagon with the debut of a Price Club-style retailing format here.

Describing the store as "another step in our evolution," Grossman's president, Mike Grossman, told *NHCN* that some of the Ventura ideas may be included in a 60-store interior remodeling program in 1984.

"What you're seeing is our latest thinking," Grossman said of the Ventura store which opened May 18. "We want to take the newest things we learn [at Ventura] and put them into all of our stores."

The store format consists of a limited number of sku's merchandised in bulk and on towering steel racks. It is designed to attract both consumer and professional customers who are offered special rebates.

Located about 75 miles north of Los Angeles, the four-acre site formerly occupied by a roofing manufacturer

(Continued on page 4)

NEWSBREAKS

GAMBLES UNIT REVITALIZED. A Superior, Wis., Gambles Home Center, written off as dead last Dec. 31, by parent Wickes Cos. of Santa Monica, Calif., is being given a new lease on life. Jerry Jaques, owner of the Belknap Plaza where the unit was located, is reopening the Gambles outlet as a franchise, offering a "wider range of [Gambles] merchandise at more reasonable prices."

INSIDE:

TWO MAINE DEALERS, Hancock Lumber and Gendron Lumber, have merged and plan expansion ..... Page 2

HECHINGER HAS BACKED UP its foray into North Carolina with an aggressive television advertising campaign .... Page 3

K mart home center depts. stressing building supplies

Discounter bolsters DIY product mix in 40-50 stores

By John Caulfield
NHCN associate editor

TROY, Mich.—K mart will create a "store within a store" home center department in 40 to 50 of its 1,100 units with building supply departments this year, and is prepared to convert another 300 to 400 units in 1984.

The remodeled departments will replicate the 10,000-sq.-ft. prototype department K mart has operated in Rochester, Mich., since November, and would give a "greater presentation to building materials" and add 25% more sku's to each store's home improvement product selection, company spokesman Robert Stevenson told *NHCN*.

"This is not a salvage operation to improve sales at poorer performing stores, but an effort to see where these products can sell best," he said.

K mart vendors indicated that stores in the Denver, Seattle, Phoenix and Chicago markets are among the likely candidates to be converted, but officials for the 2,117-unit, $16.8 billion discounter are being secretive about their plans and would not comment on where the chain would remodel units this year, or how many stores in 1984 the prototype department could be broken into. Publicity director Susan McKelvey told *NHCN* that conversion work was currently being done on stores in "central Illinois and Phoenix," that would be completed by July.

Ten more Detroit area units have already taken on the new

(Continued on page 46)

Two endcaps lead customers into the newly designed 10,000-sq.-ft. home center department in K mart's Rochester, Mich., store. A total of 11 Detroit market units have the department prototype, and K mart, the country's second-largest retailer, could roll out this department in 300 to 400 of its stores next year. NHCN photo

Denny's 'Home-Pro Warehouse' debuts early; W. R. Grace sues

By Ken Schept
NHCN senior editor

SAN ANTONIO—In a surprise move, Home Centers of America was expected to open its first unit here on Memorial Day weekend, six weeks earlier than the announced Fourth of July debut.

HOME·PRO WAREHOUSE
HOME IMPROVEMENT DEPOT

The store, called Home-Pro Warehouse, was the first of two scheduled for this market. The second should open as planned with an Independence Day promotion.

The grand opening preparations were being made, however, under the spectre of a lawsuit, brought by W. R. Grace on May 2, against Home Centers of America and five of its officers, former Grace employees, seeking to enjoin the new company from doing business.

The suit alleges that the Home Centers of America officials developed their new company while on Grace's payroll. It charges the executives with raiding employees, misusing confidential information and otherwise breaching their fiduciary obligation to Grace.

While Grace is seeking a temporary injunction to prevent Home Centers of America from operating, Home Center's counsel, Laurence Macon, did not expect that effort to interfere with the opening of the first store set for Friday, May 27, at 6 p.m. Grace attorney, Phil Pfeiffer, would not comment.

On May 23, discovery proceedings were to begin, following an earlier postponement. Grace is seeking to permanent-

(Continued on page 45)

Westlake readies 5-store expansion in the Midwest

By Phillip M. Perry
NHCN associate editor

MOBERLY, Mo.—Westlake Hardware, a 19-store chain in the Kansas City Metro Area, will launch the most aggressive expansion campaign in its 78-year history this summer, when it opens three new stores in Omaha and two in Oklahoma City.

The $3 million expansion takes the $35 million operation out of its home market for the first time. Grand openings are scheduled for Labor Day.

The five-store increase is the first installment of a new, more aggressive expansion strategy aimed at opening two or three new stores each year compared to one or two previously.

The economic downturn of the past few years caused deferral of these moves until now, but also allowed the company to save enough cash to fund the five new stores internally, according to F. K. Westlake, president.

He said that hard times also aided in site selection because attractive second-use space became available when several supermarkets closed at certain locations. Lease arrangements at $3 to $3.50 per square foot enabled Westlake to acquire existing stores at about half the cost of building from scratch.

The new stores will be roughly 20,000 sq. ft., the average size of existing Westlake units,

(Continued on page 45)

NHCNews Briefs

Industry Update

2nd Inner Harbor shows black ink; chain braces for new Hechinger

BALTIMORE—Inner Harbor Lumber & Hardware's second store saw its first profitable month in April, just over a year after opening in the northern part of the city.

Owner Mike Rafferty noted that it took his first store about twice as long to reach black ink, after debuting in January 1978 on the city's waterfront.

The quickened pace toward profitability may soon slow down somewhat, however. Hechinger is expected to open a store nearby and Rafferty predicts a temporary 10% drop in his sales.

In the meantime, personnel at the new store will be increased 25%, certain departments will be expanded and store hours have already been adjusted to produce more retail sales.

Advertising emphasis is being switched to a direct mail campaign aimed specifically at the area east of the new unit, where Inner Harbor has yet to significantly penetrate and where Hechinger will open.

While Inner Harbor's first store was formerly a warehouse, its second is housed in a cavernous former street car barn. One of the chain's challenges has been to get customers accustomed to shopping in these nonretail locations.

Hechinger will not be faced with this dilemma. The company was able to penetrate inside Baltimore's city limits because a large Hecht Co., surrounded by a tremendous parking area, was interested in subdividing its space.

"In the long run it's going to be healthy," Rafferty said of the impending arrival of this new neighbor. "There's a certain synergism of retail stores that over time will prevent people from going out of the city to shop."

Rickel advances top management

SOUTH PLAINFIELD, N.J.—Supermarkets General will apparently shuffle top management at its Rickel Home Center subsidiary following the retirement, May 1, of chairman and long-time Rickel executive Irv Aptekar.

NHCN has learned that Supermarkets General directors at the company's June 9 annual meeting will consider the elevation of Rickel president Stanley Abramson to chairman; senior vice president of operations Chuck Davis to president, and senior vice president of merchandising Will Vachon to executive vice president.

The personnel moves come at a time when Rickel is riding the wave of renewed prosperity as a strategy to reduce the size of some of its larger stores to cut operating costs and more aggressive merchandising and advertising policies are paying off.

The 36-store chain posted a 44% increase in operating profits to a record-high $10.1 million on a 19% sales gain to $223.7 million, according to Supermarkets General's recently released annual report.

The $10.1 million figure represented 12% of Supermarkets General's operating profit, Rickel's best showing in this regard in four years.

Part of the improvement is attributed to a three-year program, nearing completion, in which, Rickel subleased 65,000 sq. ft. of its retail space in 1982 to bring its total subleased space to more than 300,000 sq. ft. in the period. Another 50,000 sq. ft. is slated for sublease this year.

Leasees in the vacated area have included sporting goods retailer Herman's and Filene's Basement.

While downsizing some units, the chain has kept on expanding with new stores.

In 1982, Rickel opened units in Shillington, Pa., Cherry Hill, N.J., and Staten Island, N.Y., and already has debuted new outlets in Newark, Del., and Glenolden, Pa., this year in a program scheduled to bring three to five new stores during 1983. A Stratford, Conn., site is now being considered, which could mean a first Rickel unit in that state.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $20 a year ($21 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 9, No. 12. Copyright© 1983 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10157. For change of address six weeks notice is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 9, No. 12 June 6, 1983

Two Maine dealers merge for southward expansion

By Kenneth Schept
NHCN senior editor

CASCO, Me.—Hancock Lumber, a three-store independent, has joined with another old-line Maine dealer, Gendron Lumber, to enhance purchasing power and facilitate expansion into the southern part of the state.

Hancock Lumber's merger with Gendron Lumber will facilitate the planned expansion of the combined five-store operation into southern Maine, and possibly New Hampshire.

Hancock continues to operate its three stores independently. A Gendron unit was closed because of its proximity to a Hancock yard. The other two Gendron stores are now operating as Hancock & Gendron of Southern Maine.

Combined sales for the five stores in the first year are expected to reach $15 million, about 40% DIY. The joining effort became effective May 1. Expansion into southern Maine, particularly along the coast and possibly into New Hampshire, is likely.

"During the last three years we didn't grow. We continued to make money and build up revenues," said David Hancock, president of Hancock Lumber. "If you're going to expand at all, it's best to do it at the beginning of a good market."

He said that consideration of a move into southern Maine started early this year. Gendron was seen as a similar operation, full service with both contractor and DIY customers.

"It was one of those quick things," said Albert Gendron, who was president of Gendron Lumber and now serves as a vice president and director of the new company. "Hancock contacted us in January about merging."

While the original discussions between the two companies were aimed at a merger, Gendron said, "We found that would be cumbersome and long and drawn out. Instead we formed a holding company."

The new arrangement leaves the Gendron family in charge of day-to-day affairs at Hancock & Gendron, with the Hancock family in control of policy. As part of the transaction, the Hancock family purchased certain stock, inventory and equipment for an undisclosed amount of cash. In addition, members of the Gendron family became shareholders in Hancock Building Materials.

According to Gendron, positive results from the new combination were immediately reflected in a May promotion held annually at Hancock. This year it was called a "Grand Reopening-Combination of companies sale."

Plywood sheathing and some lumber items were obtained with the benefit of added economy of scale, said Gendron. He also noted that TV advertising has been increased in an effort to build up the consumer part of the business.

"There was tremendous response at all five yards," he said of the May sale.

Hancock & Gendron now has locations in Kennebunk and Sanford. Gendron's Portland yard was closed because it was near Hancock's South Windham unit, which continues to operate, along with others in Casco and South Paris.

Hancock also runs several enterprises independent of the new company, such as a sawmill division that produces about six million board feet per year of Eastern white pine. The company also owns and manages 20,000 acres of timberland in southern Maine and is developing condominium subdivisions.

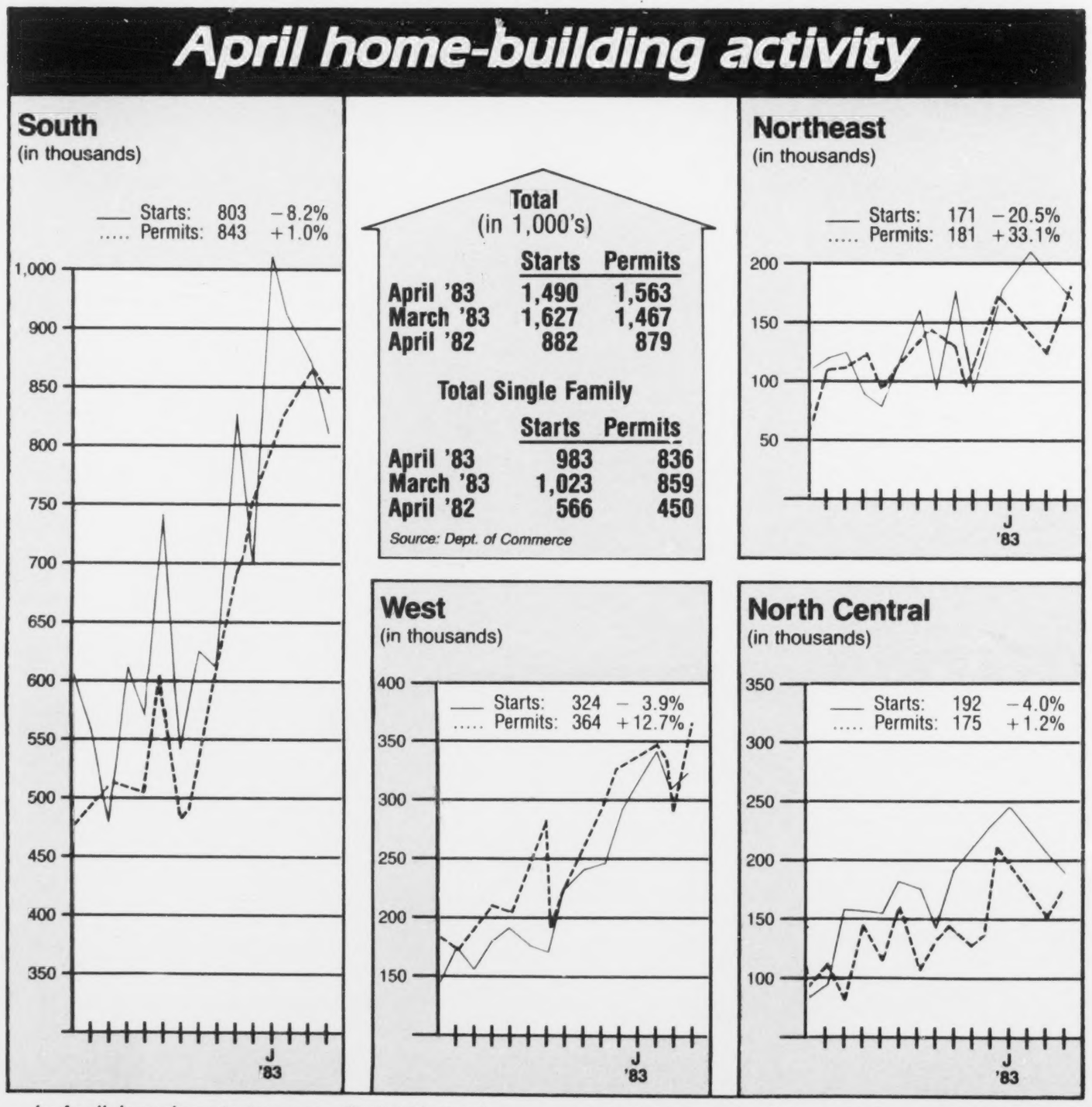
"We're in the process of expanding our sawmill division and will be opening a second dry kiln facility," Hancock said.

For the past few years the company has also been marketing solar envelope-type homes. Hancock is heating up its marketing effort this year and expects to sell 50-75 of the structures, which cost $75,000 to $150,000.

"We're now expanding into a larger Northeast territory," said Hancock. "We now think we're ready.

Hancock Lumber has been operating in Maine since 1859. Gendron was founded in 1921.

April home-building activity



In April, housing starts were off slightly for the second straight month. This decrease was interpreted as no more than a blip in the recovery, however. The National Assn. of Home Builders' predicted average level of activity for the year coincides with the 1.5 million seasonally adjusted total starts recorded in April.

In fact, the number of seasonally adjusted single-family starts, 983,000, far exceeded the total seasonally adjusted starts for April 1982, which came to only 882,000. This April's 1.5 million total start level was 63.6% ahead of a year ago. Total permits were up 3.7% to 1.6 million, 77.6% ahead of last year. Single-family starts were off 3.9% compared with March, but permits, 836,000, were up 1.8%.

Payless buys Kan. unit; major Ohio move set

By John Caulfield
NHCN associate editor

KANSAS CITY, Mo.—By this time next year, the state of Ohio could be known as "Payless Country."

The 111-unit, $602 million Payless Cashways will be moving into Cincinnati, Dayton and Springfield, Ohio, for the first time, spending an estimated $23 million to $25 million to expand in the Buckeye State alone.

This growth will come on the heels of Payless' opening its third 30,000-sq.-ft. unit in Columbus, Ohio, sometime in July. Kim Miller, who had been district manager supervising stores in Illinois and Ohio, now assumes full-time responsibility for the orchestration of the chain's expansion program in Ohio.

Meanwhile, on May 5, the chain acquired for an estimated $1.5 million to $1.75 million the land, building and inventory of the independent Morrison Building Supply Center in Salina, Kan., from the Morrison Grain Co. there.

However, throughout 1983 Payless' growth plans will center on solidifying markets in which it already operates. Three units will be built in the Houston area, bringing Payless' total to nine there; a fourth Phoenix market store will go up in Chandler, Ariz.; the company opened its 13th Dallas store in suburban Plano, Tex., in February, and a second Fresno, Calif., unit will commence business later this year.

Construction in 1983, including the two stores in operation in Columbus and a new unit in Evansville, Ind. (a new market for the chain), will cost between $26 million and $30 million, according to Richard Hemer, senior vice president, personnel and construction.

These expansion plans are in line with previously outlined company goals to increase total square footage each year an average of 15%. While future 1984 growth has yet to be announced, Hemer told *NHCN* that the chain has purchased land for six Cincinnati units, and is negotiating for property on which to construct two or three stores in Dayton and one in Springfield.

The recent Morrison acquisition gives the Kansas City-based chain a 30,000-sq.-ft. store with a 50,000-sq.-ft. warehouse and lumbershed that rests on seven acres of land. The store, according to its general manager Vaughn Hofmeier, did $5.5 million in sales last year, carries 16,000 sku's and stocks $1.1 million in inventory. Payless is expected to take over the unit no later than June 30.

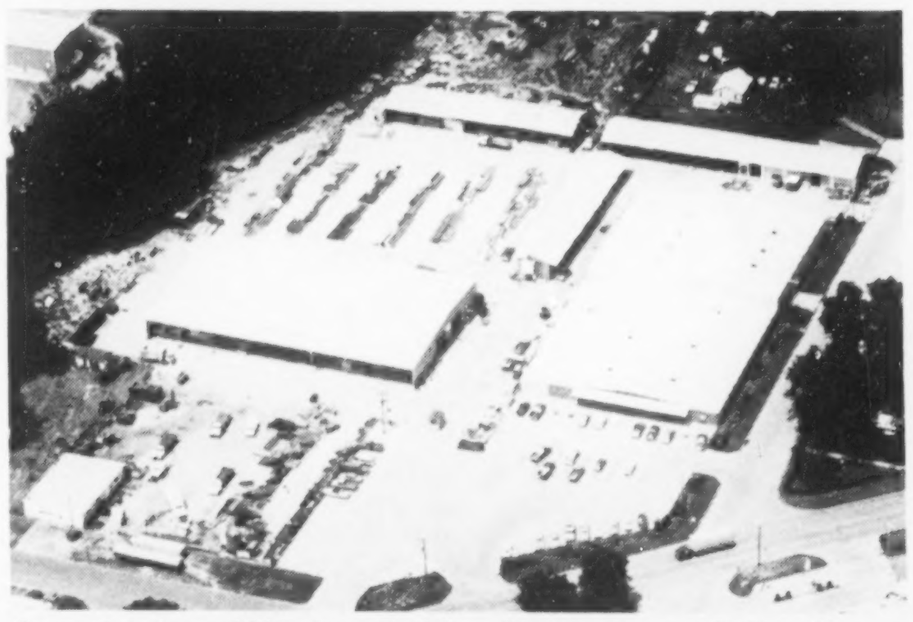
"The Salina area is an exceptionally strong market and is well within our current sales territory," said chain president David Stanley in a prepared statement. Hemer explained that the closest Payless store to the Salina unit is 90 miles south in Wichita. "And Salina is more of an urban market than our other Kansas stores," he said.

Stanley went on to say that "as a growth-oriented company, we are interested in acquiring strong building materials centers that fit into our service areas." Last year, the chain bought three Brookhart Building Centers in Colorado, one Dunlap's in Nora, Ind., and, for $26.5 million, the seven-unit Lumberjack Stores in northern California.

Interestingly, the five-member partnership from Morrison Grain approached Payless initially about a possible sale, and, according to Hemer and Hofmeier, the deal was struck in less than 60 days. "They only had the one store," said Hemer, "and it was our understanding that they wanted to concentrate on their other businesses," which include grain and alfalfa processing.

"It's getting much harder for an independent to remain profitable under current market pressures," added Roger Morrison, one of Morrison Grain's partners, none of whom will remain active in the home center operation.

Morrison said that the store, which started out 20 years ago



An aerial view of Morrison Building Supply Center, Salina, Kan., a 30,000-sq.-ft. independent that was purchased last month by the Payless Cashways chain of Kansas City, Mo.

selling salvage lumber, had been "the No. 1 building materials company in this market for some time," and that Payless had been sufficiently impressed with Morrison's earnings and margins.

As an aside, Morrison noted that Salina has no local television station, but gets broadcasts from six cable stations out of Wichita and Kansas City, all of which carry Payless Cashways advertising. He expected the changeover to be smooth.

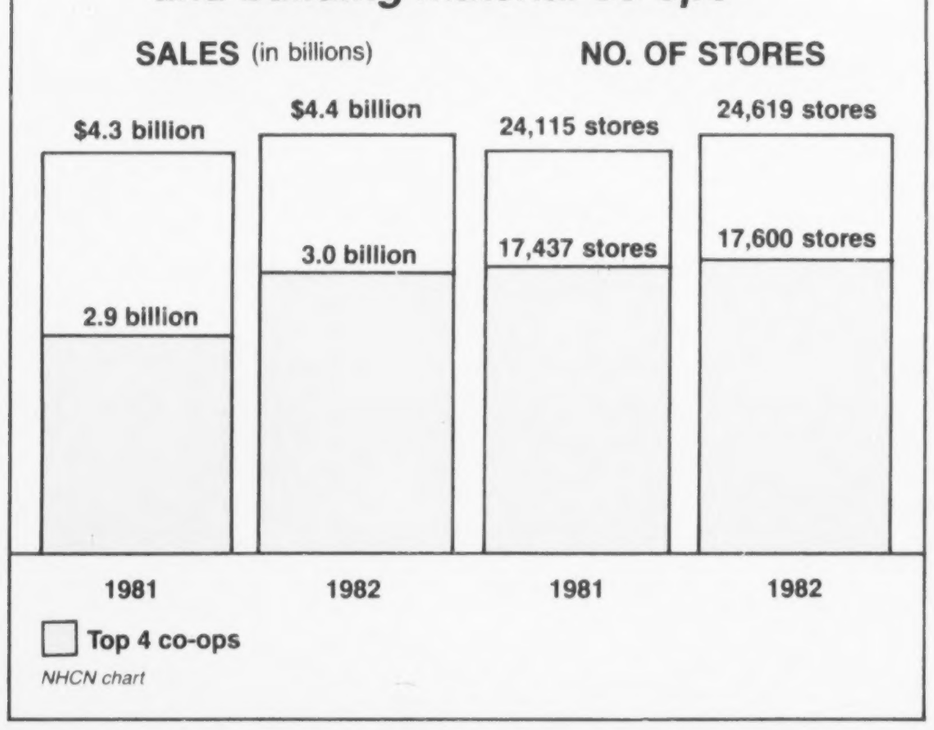
Hofmeier, who will stay on as the store's manager, said that the customer mix at Morrison Building Supply last year was 60% retail consumer, and noted that some merchandising and interior store layout changes would be made to get this store to conform more closely with a typical Payless unit, 95% of whose sales come from cash and carry transactions.

"I've met with Payless' people only a couple of times, but it seems our store runs at a lower inventory level than the chain's units," said Hofmeier. "And we might have a bit more hardware than a Payless unit does."

Hemer said that while there would be little alteration made to the physical structure of the

(Continued on page 45)

Sales and membership growth of the top 18 hardware, lumber and building material co-ops



The top four hardware wholesale co-ops—Cotter & Co., Ace Hardware, Hardware Wholesalers Inc. and American Hardware Supply—continue to dominate the industry with 69% of 1982 sales and 71.5% of the dealer membership among the 18 largest co-ops, whose aggregate volume and membership last year rose 2%.

Top 4 wholesale co-operatives snare 70% share of dealer sales

NATIONAL REPORT—Increased home center dealer membership was responsible, in part, for the slight gains in sales and inventory levels which marked a more stable 1982 for the major dealer-owned hardware, lumber and building materials co-operatives.

Most of these buying groups saw revenue jumps ranging from 2%-22%, enabling them to maintain—and in some instances increase—their warehouse stock. In addition, these co-ops did not alter their shipping terms to dealers appreciably, were able to increase their advertising expenditures and, for the most part, retained their in-house staffs.

Of the $4.4 billion in aggregate sales generated by the total of 24,619 dealers that are members of co-ops (including those in the employee-owned Builder Marts of America and corporately owned Coast-to-Coast programs), almost 70%, or $3.05 billion, came from the 17,600 dealers that are served by the top four co-ops: Cotter & Co., Ace Hardware, Hardware Wholesalers Inc., and American Hardware Supply.

The Chicago-based Cotter continued to lead the co-op pack in 1982, with $1.4 billion in total billings, a modest 3.2% increase over 1981. Cotter's membership remained static last year, as did its advertising. However, the company increased its inventory to $112 million, and its lumber and building materials sales as a percentage of total volume rose to 6.5% from 5% in 1981.

Ace Hardware, Oak Brook, Ill., saw its building materials sales increase by 54% last year to $36.7 million. In addition, while the company's inventory grew only marginally to $100 million, its sku count increased to 38,000 from 33,500 in 1981. In addition, Ace formed a new subsidiary—known as AHC Store Development Corp.—for the expressed purpose of financing the construction of new retail units where no dealer currently has a franchise.

Among the 10 largest co-ops, American Hardware Supply, Butler, Pa., experienced the largest sales growth—a 9.7% increase to $440.3 million.

HWI, based in Fort Wayne, Ind., continued to lead all of the hardware-oriented wholesale co-ops with 25% of its volume being generated by the sale of lumber and building materials.

Builder Marts of America, the Greenville, S.C. buying group, which specializes in the supply of building materials, saw the most pronounced jump in total members to 1,400 nationwide, a full 20% gain.

Not all the co-ops rode along

(Continued on page 40)

Hechinger backs N.C. venture with TV promos

By David Morgan
NHCN field editor

LANDOVER, Md.—Hechinger has fortified its move into North Carolina with a vigorous television campaign, highlighted by 7 to 13 advertisements per week and on-camera product demonstrations for local public affairs programs.

Plans for this summer call for an even more extensive television effort than that witnessed by North Carolina viewers thus far. The company reportedly expects to present a new series of commercials within a 17-week cycle set to begin early in the season.

Up until now, the campaign has focused on four- to eight-week cycles coinciding with grand openings at two stores in Charlotte and one in Winston-Salem. Advertisements continue to run on three network affiliates in Charlotte, where openings took place only a few weeks ago. The television campaign in Winston-Salem came to a temporary end March 27, about a month after the store opening there.

Hechinger is expected to rely more heavily on radio advertising in both markets as the summer months approach. Weekday newspaper advertisements are said to focus on the company's image as a high-density merchandiser instead of on pricing, while a market observer said the 10-page color circulars offered in Sunday newspapers are identical to, though smaller than, the 16-page tabloids distributed each week in Virginia.

Thus far there has been no definitive assessment of the campaign's effect on sales at the new stores. Local competitors, who say the stores' parking lots seem to be filled continuously, tend to remain skeptical about the chain's chances for success. The spokesman for a Charlotte independent said Hechinger is offering the "highest prices in town."

Financial analysts say there is no reason to believe Hechinger's performance in North Carolina will be less lucrative than it has been in similar markets throughout Virginia, Maryland and Pennsylvania.

The only indication made by the company itself came during an April luncheon hosted by the New York Society of Securities Analysts. In his address to the gathering, president John Hechinger said the unit in Winston-Salem had surpassed corporate expectations for sales. "In fact," he added, "it is within the middle range of all the stores in [terms of] volume after just one month at the new location."

The Hechinger television campaign for the Winston-Salem market began at the close of February on stations WXII (NBC) in Winston-Salem, WFMY (CBS) in Greensboro, and WGHP (ABC), Highpoint. Television sales executives there said 30- and 10-sec. commercials appeared during several time segments including early morning, early and late news, prime-time fringe and prime time. Rates for 30-sec. spots range from $80 for an early morning slot to between $400 and $1,250 for prime time.

The chain also has sponsored a team of specialists who demonstrate home improvement projects like furniture refinishing during morning and evening public affairs programs. One local television executive said the on-camera appearances complement similar demonstrations performed in-store.

An advertising effort similar to that staged in the Winston-Salem area currently is underway at three Charlotte stations including WSOC (ABC), WBTV (CBS), and WPCQ (NBC). The campaign there, which began a week before the two openings, is expected to run no longer than eight weeks.

Hechinger's television campaign overall has brought the chain as many as 55 rating points, meaning that its commercials have been viewed by about 55% of the area's households that own television sets. The company has made no comment on advertising costs, however. A spokesman for Earle Palmer Brown and Cos., the Washington, D.C.—based advertising agency hired by Hechinger for the campaign, said she has been barred by contractual agreement from making any public disclosures.

According to the Television Bureau of Advertising, the chain spent approximately $983,600 on television advertis-

(Continued on page 45)

Top 4 co-ops nab 70% total sales in '82

(Continued from page 3)
on the industry's modest recovery, though. The 1,050-member Our Own Hardware, Burnsville, Minn., saw revenue decline from $100 million to $98 million in 1982; its employee level reduced from 350 to 320, and its ad budget drop 20% to $800,000. Nevertheless, its 400 home center dealers now contribute about 40% of Our Own's volume, up from 30% from 300 dealers in 1981.

On the other hand, the Newburgh, N.Y. ENAP ("Everybody Needs a Profit") buying group had the largest percentage increase in volume last year, a 21.8% leap to $56 million, and its total accounts grew by seven to 105. Fifty-four of ENAP's 67 dealer companies are home center operations, generating close to 80% of the buying group's volume.

This appeared to be a good year for those co-ops selling lumber and building materials. Along with BMA and ENAP, Reserve Supply, the Minneapolis-based co-op, saw its sales increase by close to 16% to $60 million, 82% coming from building materials sales. In addition, Reserve increased its sku selection from 3,100 to 6,000 last year, although the company closed a 35,000-sq.-ft. warehouse. And its home center membership grew from 35 in 1981 to 60 last year, contributing 25% of total sales.

Coast-to-Coast, the 1,160-member Minnetonka, Minn., wholesaler owned by Household International in Chicago, also closed a distribution center in Kansas City. Company president Carl Nipp, who last year replaced Joseph Karels, declined to provide *NHCN* with further comparative data. But National Retail Hardware Assn. estimated Coast-to-Coast's sales fell from $300 million in 1981 to $217 million last year.

Other points of interest among the major hardware dealer buying groups included Handy Hardware Wholesalers' 86% ad budget increase to $156,000 and its offering free co-op advertising to its 375 members (last year, the Houston company charged $150 per month for the service); General Mercantile & Hardware, St. Louis, eliminating its drop-ship service and raising its corporate advertising 100% to $200,000, and the $6.4 million Connecticut Hardware Supply, Cromwell, Conn., broadening its sku assortment to 29,000 from 25,000 in 1981.

Not all co-operatives entered 1983 intact though. Two companies that were included on last year's co-op listing—Associated Wholesale Hardware in Portland and Master Distributors, Somerville, Mass.—fell to bankruptcy and liquidated their merchandise.

In addition to those buying groups servicing dealers, another collection of companies, whose membership is comprised of wholesalers, accounted for another $3.51 billion in sales last year. These groups represented 198 wholesalers with more than 300 distribution centers around the country, although there are no reliable data on what percentage of those wholesalers' dealer-customers could be classified as home centers.

The buying groups—Liberty Distributors, Associated Building Materials, Pro Hardware, Sentry Hardware, Val-Test Distributors, Allied Hardware Services and Associated Hardware Buyers (ranked in order of sales from $825 million to an estimated $118 million)—saw relatively little change in their total volume or memberships last year.

The one exception was Sentry Hardware, the Cleveland, Ohio-based buying organization. In 1982, two of its wholesalers—Alchar Hardware and Woodward Wight & Co., Ltd.—went under, while the Geo. Worthington Co. and Townley Hardware merged. But Sentry also added to its membership Genuine Hardware Co., a subsidiary of the Atlanta-based Genuine Parts, which represents a number of wholesale companies and the Associated Retail Merchants stores it acquired several years ago when it bought the Beck & Gregg wholesale group. According to the April issue of *Southern Hardware*, Genuine's sales last year totaled about $110 million.

Hardware, lumber & building materials co-ops

Company	Sales in millions 1982 (1981)	Dealer membership No. of stores 1982 (1981)	No. of home center dealers/ % of sales 1982 (1981)	Lumber & building materials sales as % of total volume 1982 (1981)	Sales/ inventory ratio 1982 (1981)	No. of warehouse (total sq. ft.) 1982	Sku's 1982 (1981)	Employees 1982 (1981)	% charge to retailers out of: —warehouse —poor relay —drop ship 1982 (1981)	Advertising total (cost of tabs to dealers and terms)
Cotter & Co., Chicago, Ill.	$1,394 (1,350)	7,000 (7,000)	1,500/30 (1,500/30)	6-6.5 (5)	12.4 (13.5)	11 (4,585,000)	25,000 (25,000)	3,500 (3,200)	5-15 (5-15) 6 (6) 2 (2)	$53 million (co-op charges pay for nat'l ads; dealers pay 1% of purchases for regional ads; tabs range from $85/1,000 (16pp.) to $171/1,000 (60pp.)
Ace Hardware Oak Brook, Ill.	$733 (694)	4,200 (4,200)	1,400/38 (1,386/NA)	5 (4.1)	7.33 (7.93)	9 (3,128,636)	38,000 (33,500)	1,750 (1,750)	10 (10) 6 (6) 0-2 (0-2)	$16 million (dealers pay 1% on sales of first $250,000—in 1981, charge was 0.8%. Dealers arrange for their own co-op funding)
Hardware Wholesalers Inc., Fort Wayne, Ind.	$479.5 (469.8)	2,500 (2,500)	1,500/60 (1,500/60)	25 (25)	11.23 (11.05)	4 (1,686,000)	33,000 (33,000)	609 (604)	No adder up, depending on cost of handling & "competitive nature"	$9 million ($30,000/1,000 (8pp.) tabs to $125/1,000 (24pp.)
American Hardware Supply, Butler, Pa.	$440.3 (401.5)	3,900 (3,737)	1,300/40 (1,300/40	19.6 (25)	7.74 (8.36)	5 (1,686,400)	27,800 (27,000)	870 826	5-15 (5-15) 10 (10) 0-2.5 (0-3)	$8.5 million (up from $6.8 million 1981)
Lumbermans Merchandising[1] Wayne, N.J.	$326 ($316)	525 (500)	60/60 (55/55)	100 (100)	none	none	—	105 (100)	—	NA (NA)
Builder Marts of America[2], Greensville, S.C.	$286 (271)	1,400 (1,167)	NA/10 (NA/10)	80 (80)	None	None	—	500 (460)	—	NA
Coast-To-Coast[3] Minnetonka, Minn.	$217 ($300)	1,160 (1,240)	NA NA	NA NA	NA (NA)	3 (NA)	NA	NA	NA	NA
Central Builders Supply, Sturgis, Mich.	$100 (100)	450 (450)	50/50 (50/50)	100 (100)	None	None	—	23 (22)	—	Dealers are charged $400/quarter for services, including advertising
Our Own Hardware, Burnsville, Minn.	$98 (100)	1,050 (1,000)	400/35-40 (300/34)	8 (7)	4.26 (4.35)	2 (650,000)	34,000 (34,000)	320 (350)	14 (14) 6 (6) 2 (2)	$800,000 (tabs run $45/1,000 to $230/1,000)
United Hardware Distributors, Minneapolis	$80.7 (80)	640 (640)	32/5 (NA)	NA	10.1 (10.66)	1 (420,000)	33,000 (33,000)	300 (300)	0-11 (7.2) NA (NA) 2 (2)	$3.3 million (up from $2.9 million in 1981; tabs run $20/1,000 (12pp.) to $100/1,000 (32pp.)
Reserve Supply Minneapolis	$60 (51.8)	359 (350)	60/25 (35/20)	82 (90)	8.6 (8.63)	4 (8.63)	6,000 (3,100)	200 (172)	NA	$130,000 for new institutional ads (tabs run $40-50/1,000)
ENAP, Newburgh, N.Y.	$56 (46)	105 (98)	54/80 (50/50)	100	None	None	—	18 (16)	—	None (30 members participate in tab circular program)
Progressive Affiliated Lumbermen, Grand Rapids, Mich.	$50 (50)	175 (193)	100/80 (95/95)	100	None	None	—	8 (10)	—	None (just began co-op program; charge dealers $250/quarter for services, including advertising)
Handy Hardware Wholesalers, Houston	$33.7 (31.6)	375 (350)	85/25 (70/25)	5 (3)	7.32 (6.87)	1 (100,000)	20,000 (20,000)	99 (103)	9 (9) NA 1 (1)	$156,000 (free co-op), up from $84,000 in 1981, when co-op service cost $150/month
KVD Inc. Winfield, W. Va.	$10 (10)	140 (140)	31/38 (31/38)	2.5 (2.5)	8.33 (8.33)	1 (100,000)	10,000 (10,000)	20 (20)	5-15 (5-15) 5 (NA) 2 (4)	$47,000 down from $50,000 in 1981
General Mercantile & Hardware, St. Louis, Mo.	$9.6 (9)	363 (300)	20/10 (15/5)	5 (None)	6.4 (5.29)	1 (86,000)	18,000 (18,000)	22 (20)	6-18 (6-18) 6 (6) - (1) Eliminated drop shipment	$200,000, up from $190,000 in 1981
Bay Cities Wholesale Hardware, Manteca, Calif.	$7.8 (10)	225 (200)	4/1-2 (4/NA)	None	6.5 (6.5)	1 (90,000)	15,000 (15,000)	28 (30)	10-20 (10-20) 6 (6) 1.5-2 (2)	None (tabs run $50/1,000)
Connecticut Hardware Supply, Cromwell, Conn.	$6.4 (6.2)	52 (50)	3/2 (None)	None	5.3 (6.2)	1 (35,000)	29,000 (25,000)	14 (15)	NA	$122,000 ($10/1,000 for tab circulars)

Source: *NHCN* research; National Retail Hardware Assn.
NA—Not available
[1]Lumbermans Merchandising 1982 figures are NHCN estimates; 1981 figures issued by the company.
[2]Builder Marts of America is employee-owned.
[3]Coast-to-Coast is owned by Household International, Chicago. Estimates in chart were made solely by the National Retail Hardware Assn., Indianapolis.

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STOCK PRICES

	As of May 12, 1983	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	45	46¼	19¾	13
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	12⅛	15⅞	4⅞	—
Forest City (AMEX)	25	26	11½	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	47¼	47⅝	28½	11
The Home Depot (NASDAQ)	42¾	41¾	7¼	—
Lowe's (NYSE)	23	25	8⅜	30
Pay 'n Save (NASDAQ)	47¾	49	16⅝	—
Pay 'N Pak (NYSE)*	20⅜	21⅜	18¾	16
Payless Cashways (NYSE) [Furrow]	56	55¾	18¾	27
Scotty's (NYSE)	19¼	21⅛	9	20
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	14⅛	14¾	7¼	—

*as of May 9, 1983.

Over-the-counter stocks

	As of May 12, 1983 Bid	Asked	52-week High (Bid)	Low (Bid)
Erb Lumber	17½	19½	19½	8½
Hechinger	31¼	31⅝	38½	14¼
Home Centers of America[1]	14¼	—	—	—
Hines Lumber	24	25	24½	13
Scotts Seaboard [Scotts]	2	3	2¼	⅝
Wolohan Lumber	8¾	8⅞	9⅝	3¼

[1]Debuted on NASDAQ, May 17, at 6¼.

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Erb Lumber	3/31-1st qtr.	$ 22,507	$ 16,038	40	– $ 218	– $1,208	—
Hines Lumber	3/31-1st qtr.	47,653	32,265	48	4,949	– 7,425	—
Lowe's	4/29-5 wks.	141,700	104,700	35	—	—	—
Scotty's	4/30-4 wks.	32,563	25,622	27	—	—	—

*$ in thousands

Hines sales rise 48% in quarter

CHICAGO—Sales increases from its retail and wholesale divisions aided Edward Hines Lumber in showing a 48% increase in sales, reducing its losses from continuing operations and reporting a net profit in the first quarter, president and ceo Edward Hines said in a shareholders' letter.

He related that sales from continuing operations reached $47.7 million compared to $32.3 million in the first quarter 1982 as a result of "further strength in the do-it-yourself market, improvement in new home construction and favorable weather conditions."

The period's loss from these businesses totaled $550,524, down from a $3 million deficit a year ago.

The company showed a net profit of $4.9 million in the first quarter, compared to a $7.4 million net loss in the same quarter last year, primarily because of a $5.5 million extraordinary gain from better than anticipated operating results from its discontinued manufacturing operations and an adjustment of other disposition reserves.

The reserves were established last year through a special charge to net income of nearly $20 million.

The sale of Hines' Oregon sawmills and Mississippi timber properties was recently completed, providing the company with $30 million in proceeds, about half of which has been used to retire long-term debt.

"The proceeds from the mill sales and the resulting strong financial condition of our company will enable us to concentrate on attaining an attractive level of profitability by strengthening our position as a retailer and distributor of wood-related products," Hines said.

FUTURES

Two weeks ended May 13, 1983

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
March	221.70	191.50	217.20	202.90	310	221.70	151.50
July	230.30	209.40	225.80	217.10	5,243	230.30	158.00
Sept.	229.00	215.30	225.40	223.80	1,986	229.00	163.80
Nov.	227.20	217.30	220.80	225.90	1,658	227.20	168.00
Jan. '84	234.00	223.50	226.50	233.00	476	234.00	179.00
March	240.50	228.80	231.00	240.10	271	240.50	206.50
May	245.50	235.50	235.50	245.50	50	245.50	228.60

Total Contract Vol. (Through 5/13): 38,525 — **Previous Two Weeks: 25,374**
Total Open Interest (As of 5/12): 10,011 — **Previous Week: 11,555**
Cash Price: $220.50 — **Previous Week: $201.88** — **Year Ago: $125.44**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
May	209.00	196.00	209.00	201.00	40	216.40	167.00
July	218.30	200.00	216.00	204.60	1,285	221.00	170.00
Sept.	222.00	203.80	219.00	208.20	726	223.90	185.00
Nov.	222.50	206.80	222.50	211.00	218	226.60	201.50
Jan. '84	223.00	209.50	221.40	214.00	72	223.00	201.20
March	225.00	213.00	225.00	217.00	14	225.00	208.50

Total Contract Vol. (Through 5/13): 3,462 — **Previous Two Weeks: 4,812**
Total Open Interest (As of 5/12): 2,355 — **Previous Week: 2,419**
Cash Price: $203.84 — **Previous Week: $188.16** — **Year Ago: $158.76**

*Figures for Thursday, May 12.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

CALENDAR

June 7
Eastern New York Lumbermens Assn. Spring Meeting, Glens Falls Country Club, Glens Falls, N.Y. 716-325-1626.

July 11-14
79th International Housewares Exposition, McCormick Place and McCormick Place West, Chicago.

July 16-17
2nd Annual Sentry Dealer Market, Municipal Auditorium, Nashville, Tenn.

Aug. 6-7
Ohio Valley Hardware Fall Dealer Market, Executive Inn, Evansville, Ind.

Aug. 12-14
Virginia Building Material Assn. (VBMA) **Summer Management Conference,** Ramada Inn On-The-Beach, Virginia Beach, Va. 804-745-4200.

Aug. 17-20
Wood Moulding and Millwork Producers, Summer Meeting, Broadmoor Hotel, Colorado Springs, Colo.

Aug. 19-21
Retail Lumber Dealers Assn. of Maine, Annual Meeting, Samoset Resort Inn, Rockland, Maine.

Aug. 20-21
Moore-Handley Co., Dealers Show, Birmingham/Jefferson Civic Center, Birmingham, Ala.

Aug. 13-18
38th Annual National Hardware Show, McCormick Place West and McCormick Place, Chicago. 203-964-0000.

Aug. 30-Sept. 2
Automotive Parts and Accessories Assn., 15th Annual Show, McCormick Place, Chicago.

If home center operators will be attending your show, association convention or special seminar, *NHCN* wants to know. Send date, location and schedule to: Calendar, *National Home Center News*, Lebhar-Friedman, 425 Park Ave., New York, N.Y. 10022.

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National
Home Center News ®

Vol. 9, No. 13 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. June 20, 1983

Home-Pro debuts in San Antonio

First Home-Pro Warehouse was opened barely 90 days after company was formed. The sign was not lifted into place until morning of the Memorial Weekend grand opening. NHCN photo

Store rings up $500,000 in 3-day grand opening

By Kenneth Schept
NHCN senior editor

SAN ANTONIO—Barely 90 days after the formation of Home Centers of America, the company launched its first Home-Pro Warehouse with a three-day Memorial weekend grand opening that reportedly reaped sales of more than $500,000 and an average ticket of about $40.

The strong volume and even the store's logo, with diagonal lettering stenciled on a red background, invite comparison with The Home Depot and even House Works, the W. R. Grace operation two Home-Pro executives helped develop before they left Grace to form their own company. However, the differences are as striking as the similarities.

Home-Pro, as the name implies, is more explicitly aimed at the small contractor, remodeler and farmer as well as the homeowner. As Frank Denny, Home-Pro chairman, has noted, a warehouse-type home center could produce $8 million in annual sales and still only break even.

(Continued on page 9)

Customers surround Home-Pro information booth at center of store during special grand opening sale on Friday evening, May 27. Frank Powers, executive vp, merchandising, is on the phone. NHCN photo

NEWSBREAKS

SCOTTY'S FORTIFYING SO. FLA. In a move that will allow the 101-unit chain to open 20 new stores in southeast Florida during the next five years, Scotty's is building a distribution center in Deerfield Beach that should be operational within a year. The 250,-000-sq.-ft. facility will be expandable to 450,000 sq. ft.

INSIDE:

COMEDIENNE PHYLLIS DILLER is pitching Ole's Home Centers as new TV commercial spokesman ..... Page 2
INDUSTRY LOBBYISTS step up their campaign for more permissive resale price maintenance rules ..... Page 2
HUGH M. WOODS stores outside their home Denver market will bear the name Prime home improvement centers .. Page 3
GROSSMAN'S NEW WAREHOUSE outlet displays commitment to both DIYer and builder ..... Page 18

British company developing warehouse chain in Sunbelt

By John Caulfield
NHCN associate editor

PLANO, Tex.—A major new player is entering the fray to develop a warehouse-style home center chain in the Sunbelt.

Bowater North America, a $789 million British-held manufacturing and trade corporation based in Old Greenwich, Conn., has formed a new subsidiary here to open 70,000-plus-square-foot stores across the South.

Bowater North America

The new venture—known as Bowater Home Centers Inc.—now has a management team in place drawn from the pool of talent of some of the largest and most successful chains in the country.

Heading up the new subsidiary as president is Ralph Dillon, former southwest area vp for Wickes Lumber. Reporting to Dillon will be operations vp Jim Sewell, a former divisional manager for Payless Cashways who briefly ran his own stores in the late 1970's, and Robert Shaw, who left his Channel Home Centers position as a merchandise manager to become Bowater's general merchandise manager.

Another Channel vet, Jim Lees, is the new company's controller; Jack Weadock, previously Wickes Lumber's southwest area controller, has been named Bowater's director of planning, and Roger Finnstead, formerly a Payless Cashway's paint and carpet buyer, and Tom Patterson, formerly a hard line merchandise manager for Handy Dan, become the subsidiary's merchandisers.

In a prepared statement, Bowater said it had developed "locational strategies" which would place an as yet undetermined number of stores "in several metropolitan markets in the Sunbelt." In its first phase, Bowater will open "several" home centers in the Southwest over the next 12 months. Dillon would not reveal where these stores would be located, but told *NHCN* that Bowater was looking to develop 70,000-plus-square-foot "no frills" units, and that the first store would begin business by the last quarter of 1983.

Bowater will have its work cut out for it during this initial stage, not only because the corporation—with interests in lumber, building products, paper and pulp manufacturing and transportation—has no track record in the home center industry, but also because it has chosen for its home base one of

(Continued from page 37)

Catalog discounter agrees to buy HomeOwners outlet for $14M

By John Caulfield
NHCN associate editor

COCONUT CREEK, Fla.—Only three months after opening its first 70,000-sq.-ft. store, HomeOwners Warehouse Inc. (HOW) has been sold to the second-largest catalog showroom merchandiser in the country for $14 million.

Service Merchandise Corp., Nashville, Tenn., which last year posted sales of $1.2 billion from 139 showrooms in 27 states, has agreed in principle to purchase the single-unit warehouse-style home center in exchange for 660,000 shares of its common stock, which was trading over the counter for $20.625 per share bid on June 1, the day the agreement was announced.

HOW's president and chairman, Pat Sher, who in May 1982 outlined his plans to develop "a major home center chain," will remain with the company as its chief executive officer. HOW will become a wholly owned subsidiary of Service Merchandise, according to the corporations' president and chairman, Raymond Zimmerman.

He and Sher said the agreement between the two companies would probably be finalized in early July.

Sher indicated that the "opportunity for accelerated growth" was the primary motivation for his selling the company to Service Merchandising, and while he could not yet be specific about the chain's eventual store count, Sher said HOW's expansion would now "far exceed" previous plans of having four stores operating by year's end and 20 by 1988. "That's the reason we made the deal," he said.

And based on Service's pen-

(Continued on page 38)

Depot, House Works in warehouse war

Home Depot launches 2 New Orleans units

By Phillip Perry
NHCN associate editor

NEW ORLEANS—With the opening of two 80,000-sq.-ft. stores here last month, The Home Depot has quickly become entrenched in its first real battle against a major warehouse home center competitor, House Works.

The new outlets—retrofitted Woolco stores in Harahan and Gretna, La.,—represent the Atlanta-based chain's first foray beyond its Atlanta and Florida markets, and currently are the largest in operation. Most of the chain's 12 stores are 70,000 sq. ft.; a 96,000-sq.-ft. store is scheduled to open in Tampa,

(Continued on page 37)

Both Home Depot, with two stores, and House Works, with four, have split their locations evenly north and south of the Mississippi.

NHCNews Briefs

Industry Update

La Puente unit likes 20% discount

GARDENA, Calif.—Homeowners DIY Centers, after a 90-day test, said it will continue its experimental 20%-off pricing format at its La Puente, Calif., store, but won't expand the test chainwide in the immediate future.

Homeowners' La Puente customers have been able to buy merchandise at 20% off regular prices since April 11. Hal Smith, president and ceo, said the test—originally slated to end in July—will now continue indefinitely (*NHCN*, April 25).

During the test's first two months, sales volume at La Puente was boosted "significantly" more than company officials' initial forecasts, Smith said, adding that while taking 20% off all merchandise decreased gross profit margins, additional sales generated increased gross profit dollars.

Homeowners won't expand the discount pricing formula at the chain's other four southern California stores "at this time because they are doing well and there's no reason to" institute it elsewhere, Smith said.

He added that the company is "still developing the warehouse format in La Puente. If and when implementation becomes necessary in the other stores, we will be able to act quickly."

84 Lumber shuts 3 Denver units

DENVER—84 Lumber has closed three stores here in what one chain official termed a "problematic" market for the $600 million chain.

The stores—in Denver, Englewood and Colorado Springs—were shuttered in May along with one unit in Salt Lake City, Utah. The nearly 30 units the chain continues to operate in Colorado, Kansas, Wyoming, Utah and New Mexico will now be supervised by its Arlington, Tex., regional office, with 84 having closed its Denver branch office in January.

The 370-unit chain which is expected to open about 40 new stores nationwide this year, currently has no immediate plans to close its four other Colorado units in Broomfield, Grand Junction, Golden and Glenwood Springs.

"The stores we closed in Denver and Salt Lake were simply not meeting corporate sales and profit goals," said director of advertising Jeanene Tomshay, "and the Denver market has been problematical for us over the past several years. So we felt it better to devote our expansion efforts to markets where our stores are better accepted."

Scott's to sell Seaboard Ply

LINTHICUM, Md.—Scotts Seaboard, parent company of 17-unit Scott's Home and Garden Center in the Baltimore/Washington market, has moved toward concentrating its entire efforts in the home center business after announcing the sale of its wholesale Seaboard Plywood and Lumber subsidiary.

Seaboard, a South Windsor, Conn.-based millwork distributor plans to sell its assets and business to Cardinal Industries, a marketer of lawn and garden goods, stoves and fireplace equipment and accessories, and a seller of institutional soft-service frozen yogurt equipment in southern Connecticut.

The two firms hope to close the sale, for an undisclosed price, on or before July 15.

"We want to concentrate our financial and management resources in Scott's home centers," said Earl R. Halterman Jr., president and ceo of Scotts Seaboard. "This will also help us reduce short-term debt and increase our buying power for the chain."

Scotts Seaboard has expanded its retail holdings in the last two years with the acquisition of seven Frank's Hardware units along with new store openings. Although the Seaboard sale does not necessarily mean more growth for Scott's, Halterman noted that the company is continuing to look for expansion opportunities.

Both Scotts Seaboard subsidiaries have improved their financial pictures lately.

National Home Center News.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $20 a year ($21 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 9, No. 12. Copyright© 1983 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10157. For change of address six weeks notice is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 9, No. 13 June 20, 1983

Ole's promo undergoes facelift; Phyllis Diller to pitch DIY image

PASADENA, Calif.—Ole's Home Centers, in a departure from its preference for professional athletes as television commercial spokesmen, is now using entertainer Phyllis Diller for the chain's commercials.

A series of 30-second spots featuring the comedienne offering reasons to shop at Ole's, along with 10-second product doughnuts, debuted in mid-May in the 33-unit chain's California and Nevada markets.

"It's just barely getting off the ground and too soon to judge customer reaction," said Daryl Eagle, who supervises the Ole's account at Los Angeles advertising agency, Davis, Johnson, Mogul and Colombatto. "It's so unusual, we think it is going to take some time for people to give it the recognition it deserves."

DJMC recently acquired the Ole's $2-million-plus broadcast account after Ole's ended its seven-year relation with Wayne E. Smith & Associates this spring.

Bob Mendes, Ole's vp-sales, explained that DJMC "offered us a dramatically different approach to home center advertising," something the chain was seeking.

The commercials are different, right down to Diller's closing line: "With Ole's help, you can do an-y-thing," at which point, she launches into her strident trademark laugh.

"Our attempt is to stand out in the clutter of television," Eagle elaborated. "We don't have Sandy Sigoloff [Wickes chairman who appears in Builders Emporium commercials], but we have Diller."

Eagle said Diller will be featured in approximately 12 different commercials.

Manufacturers risk liabilities, according to RPM court ruling

WASHINGTON—Lobbyists representing hundreds of home center suppliers and other manufacturers have joined Federal antitrusters in urging the Supreme Court to hammer out more permissive legal ground rules governing resale price maintenance conspiracies against chains.

At presstime as least two supplier groups—the 13,000-member National Association of Manufacturers and the National Agricultural Chemicals Association—had intervened on behalf of Monsanto in the pending Supreme Court RPM showdown.

At the same time, Justice Department Antitrust Division officials renewed their drive to resurrect "Fair Trade-style" retail pricing restrictions with a new "friend of the court" brief requesting that RPM no longer be treated as a "*per se*" violation of Federal law.

At the heart of the landmark resale price maintenance case: Monsanto Chemical's refusal to sell to a price-cutting herbicide distributor following complaints from competing wholesalers about the firm's price discounts to retailers.

Two Federal court's have already ruled that Monsanto's termination of the discounter was an automatic or *per se* violation of the long-standing antitrust ban on RPM price-fixing conspiracies.

In appealing those rulings to the Supreme Court late last month, attorneys for Monsanto argued that the wholesaler, Spray Rite, was terminated only because the discounter failed to provide educational assistance and other point-of-sale services to retail herbicide dealers.

The fact that the action was taken only after Monsanto received complaints from other distributors about Spray-Rite's price-cutting was a pure "coincidence," they told the court.

(Continued on page 37)

Wickes cuts 1st qtr. losses to $10 mil.

SANTA MONICA, Calif.—Wickes Cos. reported a loss from continuing operations of $10.1 million and a net loss of $7.8 million for the three months ended April 30.

First quarter sales were $640.5 million. In the same quarter last year, Wickes had a loss from continuing operations of $130.6 million and a net loss of $156.4 million. In the fourth quarter ended in January, Wickes recorded a loss from continuing operations of $17.5 million and a net loss of $15.9 million on sales of $673.3 million.

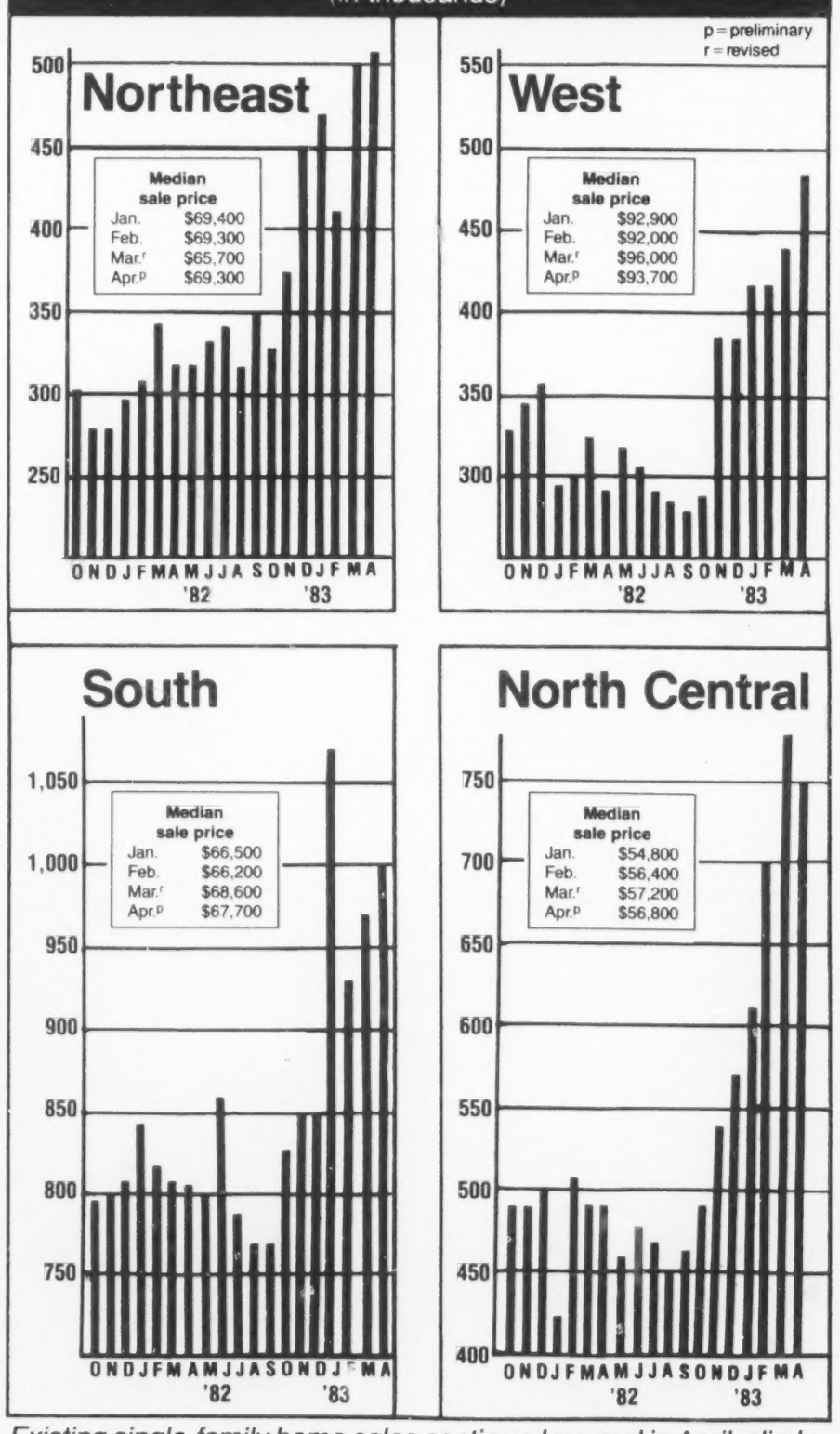
Wickes chairman Sanford Sigoloff said losses were "less than anticipated." He added: "Particularly encouraging is the way our lumber and building materials businesses have begun trending toward recovery." The first quarter is traditionally Wicke's weakest due to the seasonality of its businesses, said Sigoloff.

The quarter's interest expense was $2.2 million, compared with $39.4 million in the same quarter last year. Included in the quarter ended April 24, 1982, was a $52.2 million write-off of debt discount and expense and $8.7 million for store closing reserves.

Wickes has been operating for more than a year under Chapter II of the Federal bankruptcy code. Sigoloff said that negotiations with the company's creditors committees aimed at the development of plans of reorganization "are progressing," but he did not elaborate.

Existing single-family home sales

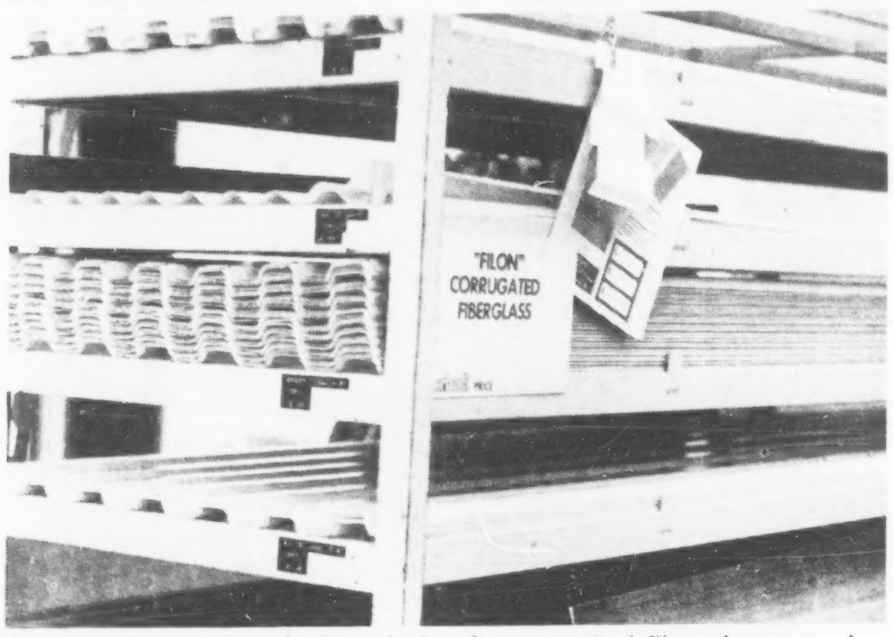
(in thousands)



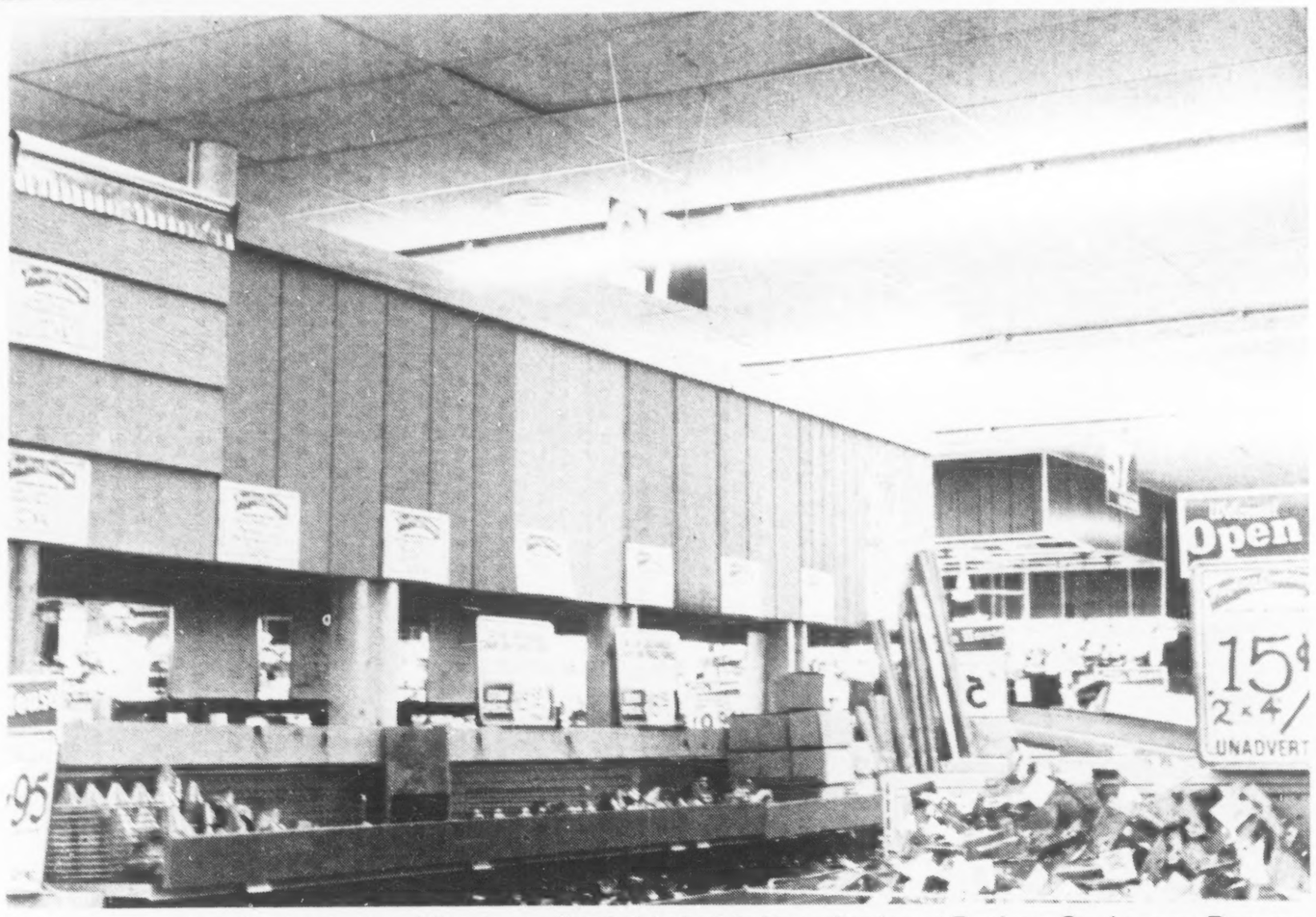
Existing single-family home sales continued upward in April, climbing 1.5% from the March level to a seasonally adjusted annual rate of 2.75 million units, according to the National Assn. of Realtors. The April performance marked the highest rate since the 2.91 million unit pace recorded in December 1980 and constituted a 47.8% improvement from the August 1982 cyclical low of 1.86 million units. All regions of the country experienced substantial gains. The largest increase occurred in the North Central region where home resale activity during the first four months of this year was up 47.6% compared to the same period in 1982. Home resale activity was up 46.8% in the Northeast, 24.7% in the South and 11.5% in the West. Nationwide, resale activity for January to April is 31.1% ahead of the same period a year ago.

photo merchandising feature:

EXTERIORS



The relative merits of nine sku's of corrugated fiberglass can be considered by customers from this rack display at Sutherland Lumber in Colorado Springs, Colo. NHCN photo



Horizontal and vertical exterior siding is easily visible in this long display at Payless Cashways, Denver, Co. NHCN photo

Total siding sales

(in billion sq. ft.)

	1981	1982
New homes	1.7	1.4
Retrofit	1.9	1.5
Retrofit by DIYers	0.8	0.6
Retrofit by contractors	1.1	0.9
Total	3.6	2.9

Market share for retrofit siding on existing homes

(based on sq. ft. sales)

Material	1981	1982	% of product installed by DIYers annually
Aluminum	31%	28%	25%
Vinyl	27	30	28
Hardboards	8	8	83
Steel	7	7	NA
Lumber	7	7	87
Plywood	5	5	87
Shakes & shingles	4	4	85
Stucco, asbestos, brick, other	11	11	NA

NA = Not available

Source: Housing Industry Dynamics; 1982 figures are *National Home Center News* estimates.

While aluminum and vinyl siding continue to dominate the existing home market, they are considerably less popular among DIYers than wood and wood product alternatives. Siding installed as retrofit continues to exceed that applied to new housing. Although total siding for both new and existing homes will continue to soften during 1983 its decline should not be as dramatic as the 30% dip experienced during 1982.

Wood dominates siding market despite gains by vinyl, aluminum

By Phillip Perry
NHCN associate editor

NATIONAL REPORT—The resurgence in home building has pushed aluminum siding unit sales up by 30% for the first quarter of this year, compared to the square footage sold for the same period a year ago.

However, retailers report that sales of aluminum siding, and siding products in general, have been relatively flat or are showing only modest gains over last year.

Aluminum siding makers are trying to recover a lead lost for the first time last year to vinyl siding. According to the Architectural Aluminum Manufacturers Assn., 350 million sq. ft. of vinyl siding was sold last year, eclipsing the 325 million sq. ft. of aluminum siding sold.

The succession of vinyl came largely at the expense of declining aluminum siding sales from 1981, where 400 million sq. ft. of material sold, compared to 325 million sq. ft. of vinyl siding. A decade ago, aluminum accounted for 95% of the non-wood siding market. Mounting energy costs, in transforming clay into aluminum, however, have given vinyl a 20% finished cost advantage to today's siding users.

Aluminum and vinyl continue to dominate the retrofit siding market, but together still fall far short of wood products as a source of siding material.

Last year, approximately 1 billion sq. ft. of hardboard, and another 1 billion sq. ft. of plywood siding went into the housing market; red cedar siding (including roofing) came to another 900 million sq. ft.

Those figures are reflected in the fact that wood sidings constitute 90% of the siding inventory at most home center outlets.

Despite some headway in making aluminum and vinyl siding easier for DIYers to install, retailers and even some manufacturers admit the products are difficult to sell directly to homeowners without installation service.

Although 75% of aluminum siding sales are destined for application to existing houses—the primary home center market—only 25% of material sold is installed by do-it-yourselfers, according to Housing Industry Dynamics, Crofton, Md. The figure is only slightly higher for vinyl siding. Hardboard, plywood and other wood sidings, though they account for only about a fourth of the retrofit siding market, are typically installed as much as 85% of the time by DIYers.

"For the do-it-yourselfer or small contractor, the application [of aluminum and vinyl siding oftentimes] is too complicated," acknowledged a spokesman for one manufacturer of both products, who requested not to be identified.

"Vinyl expands and contracts and you can end up with a wavy appearance if improperly installed. Aluminum is hard to put on straight," he said, "and you need specialized tools to do the job right around the corners and windows."

The success of independent siding applicators, as a result, has left home center dealers reluctant to stock aluminum siding, although vinyl has gained some headway in retailers' inventory.

Somerville Lumber and Supply, O'Malleys Lumber, Thriftway Lumber and All American Home Center, for instance, stock only wood and hardboard siding. Brewster's and Hill-Behan Lumber stock vinyl in modest quantities.

Most home centers report siding sales are either holding steady or increasing modestly over the past year. O'Malleys' report of "stable" sales was typical. Somerville pegged an increase of 10%. While Brewster's reported an increase of close to 20%—attributed to an increase in housing starts.

(Continued on page 12)

Wood and wood by-product materials account for over 90% of all siding sold through home centers nationally. Grossman's warehouse in Ventura, Calif., stocks a large quantity of fir siding. NHCN photo

EXTERIORS

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ABITIBI Hardboard Siding. Buy Now And Carry Home The Savings!
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4'x 8' Cross Sawn Fir..... $21.99
Reg. $23.99. Pre-finished hardboard in a cross-cut fir pattern, with grooves cut 4" on center. Contemporary. #07194,5
4'x 8' Cross Sawn Fir..... $21.99
Reg. $23.99. This pre-finished siding has a handsome reverse board and batten pattern in hardboard. #07180,1
Barnboard 4'x 8' Panel..... $22.99
Reg. $24.99. Looks like weathered and aged barnboard, with random grooving for planked effect. 3 colors. #07176,7,8
MASONITE
MASONITE
Super Value! Weather Screen Oil Base Stain $12.99 Gallon
Ref. Price $18.95. Seals, protects and colors the wood. In selected stock colors. #46339,43
Easy Coverage Olympic White Satin Overcoat® $14.49 Gallon
Ref. Price $20.95. Exterior latex, made for previously painted surfaces. #46176
Protects Wood Olympic Clear Wood Preservative $9.99 Gallon
Ref. Price $13.95. Seals & protects siding, etc. #46247
5-Gallon Pail..... $44.99
Ref. Price $63.25 #46249
Save $5.00! Waterproofing Paint Formula $9.99 Gallon
Regularly $14.99. Helps prevent water damage to wood, brick, concrete. Penetrates, seals. #46097
Save $1.00! Rust-Oleum® 9 Colors
Save $30.00! Airless Electric Paint Sprayer

In a recent 24-page circular, Lowe's devoted one page to cross-merchandising six types of hardboard and barnboard siding with suitable exterior wood stains and preservatives.

Wood remains No. 1 in the siding category at home centers as 90% of the siding inventory carried by many DIY retailers is wood. Busy Beaver's Niles, Ohio, unit displays yellow pine siding on an endcap through a simulated application. NHCN photo

Siding

(Continued from page 11)

Many retailers said the pace of siding sales most often reflected that of housing starts in their regions.

Buyer Dick Wood at O'Malleys Lumber in Phoenix says his chain keeps two carloads of hardboard siding in stock and sells from 15 to 20 carloads a year. Gross margin on sales runs 30% at regular pricing and 25% during sales. The 4x8 sheets are stocked in a half dozen different thicknesses and textures. They sell at price points ranging from $5.99, the most popular, to $9.99 each. Vinyl siding is not stocked because it cannot hold up to the Arizona heat, while pure wood siding, such as cedar, cannot resist the desert dryness.

Somerville carries 5/8-in. fir texture hardboard in 4x8 sheets as well as cedar clapboards. The latter type is popular with those seeking a New England look and now accounts for 25% of the total siding sales.

The company stocks one carload each of Texture 1-11, red cedar shingles and white cedar shingles. Prices for all siding runs about 50¢ a square foot. The stores go through about six carloads of siding a year and average a 25% gross margin on sales.

Display presents the most difficult problem with siding at Somerville because of the space it demands. A small replica of a building includes some panels of the available siding, but more sales are generated by the quarterly tabs printed in full color and distributed through the *Boston Globe*. One recent tab featured the fir texture siding at $16.99 per 4x8 sheet in an inch and a half square display on its front cover.

Vinyl siding accounts for less than 5% of siding sales at Brewster's in Providence, R.I. Wood, such as rustic pine, cedar clapboards and cedar shingles, are more popular. From eight to 10 carloads of siding are stocked for distribution to the company's four outlets.

In April of this year buyer Tom Thomas at All American Home Center in Downey, Calif., dropped some slow moving cedar siding, the last casualty in a gradual but steady cutback from the time several years ago when his store displayed 18 different sidings on the exteriors of outdoor sheds. Now Thomas stocks 5/8-in. fir texture 1-11 siding in either 4 in. or 8 in. on center. The store goes through its stock of 40 to 44 sheets in one or two months. Restocking takes only three days.

Contractors exhibit no greater demand for nonwood siding that do-it-yourselfers. Thriftway Lumber, primarily a contractor yard in Boise, Idaho, reports no demand on the part of its clientele for aluminum and vinyl siding which is applied primarily by local specialists. Two price points are popular at Thriftway: cedar and fir texture 1-11 at 85¢ a square foot and hardboards at 45¢ a square foot.

B & B Home Supply Centers in St. Louis responded to the dip in vinyl prices by taking on that category of siding during the first quarter of this year. "The price of 50¢ a square foot is now comparable with our wood siding," says buyer John Herden. He says the maintenance-free aspect of vinyl may attract many consumers.

For its five stores, B & B has stocked 100 squares of white vinyl, the favorite color for siding in the area. Other colors can be special ordered.

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FUTURES

Two weeks ended May 27, 1983

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
July '83	244.00	222.00	243.70	227.20	4,652	244.00	158.00
Sept.	237.50	220.60	236.90	223.30	2,531	237.50	163.80
Nov.	227.00	214.00	226.00	216.50	1,912	227.20	168.00
Jan. '84	230.90	215.50	228.70	218.40	343	234.00	179.00
March	235.80	218.00	231.10	220.80	144	240.50	206.50
May	240.40	222.90	231.50	224.50	44	245.50	222.90
July	246.50	224.60	234.10	228.00	29	252.50	224.60

Total Contract Vol. (Through 5/27): 33,699 — **Previous Two Weeks: 38,525**
Total Open Interest (As of 5/26): 9,655 — **Previous Week: 9,814**
Cash Price: $235.20 — **Previous Week: $225.40** — **Year Ago: $139.16**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
July '83	220.00	208.50	219.10	208.00	1,238	221.00	170.00
Sept.	220.00	209.00	218.40	211.50	742	223.90	185.00
Nov.	222.50	208.20	216.00	210.70	216	226.60	201.50
Jan. '84	223.00	210.20	216.50	208.20	41	223.00	201.20
March	225.00	210.50	217.00	210.50	22	225.00	208.50
May	215.00	215.00	215.00	211.00	—	215.00	214.00

Total Contract Vol. (Through 5/27): 2,709 — **Previous Two Weeks: 3,462**
Total Open Interest (As of 5/26): 2,259 — **Previous Week: 2,457**
Cash Price: $209.72 — **Previous Week: $206.78** — **Year Ago: $172.48**

COMMODITY RESEARCH BUREAU INDEX:	This Week 250.9	Previous Week 249.1	Year Ago 246.8

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, May 26.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

LUMBER REPORT

NAWL attendees' mood warmed by brightening business climate

By Kenneth Schept
NHCN senior editor

COLORADO SPRINGS—The sun shone brilliantly on Cheyenne Mountain, which formed a backdrop to the 91st meeting of the North American Wholesale Lumber Assn. held here late last month, about 6,000 ft. up in the Rockies, at the Broadmoor Hotel.

Schept

Significantly, the mood of the affair was consistent with the weather. While many of the 542 members and spouses who attended did not see a cloudless future economically, the business climate had shifted dramatically since last year's meeting, where attendance reached only 399.

That meeting was held at a resort in Hot Springs, Va., and attendance at that location is normally off because of the distance from many parts of the country. Still, Pete Niebling, NAWLA secretary, felt that the Broadmoor turnout was indicative of better economic times.

During the past few bad years, he said, seven or eight NAWLA members went bankrupt and perhaps of total of 20 are no longer in business. Membership slipped to 545, a drop of 42 companies. But Niebling said membership is climbing again.

In his opening remarks at NAWLA's meeting president Wilf Livermore, Micholson & Cates, Burlington, Ont., added "NAWLA is leaving this deep recessionary period intact," he said. "The experience we've come through should benefit us in the 1980's and beyond."

Interviews with those attending suggest that the survivors have learned some lessons from the difficult economy of the past few years although no one seems to be looking back.

Harry Marshall, Island Lumber Specialties, Richmond, B.C., did not attend the NAWLA annual meeting in 1982. Last year at this time Marshall's operation, which remanufactures red cedar into siding, was shut down completely.

"I just couldn't justify going last year, knowing my employees weren't working," he said.

The company is now running one shift, compared to two in the past. Marshall may not bring on a second shift, at least not quickly. One of the recession's legacy's is an effort to increase productivity.

"We're trying to do in one shift what we used to do in two," he said. In accomplishing that goal, Island Lumber Specialties embarked on a capital improvement program that was started in 1981 and curtailed when the bottom fell out of the market.

"Things are looking a bit brighter," Marshall admits, but he remains skeptical about the extent of the recovery. "Some feel it's back to the way things were," he said. "I don't think that's the case."

Business has improved significantly at K.V. Lumber Sales, Denver, where Ken Erjavec, a partner, noted that volume was up 80% for the first four months of this year, while profits soared 150%. Still, he too was somewhat hesitant about the strength of the recovery, feeling that the so-called pent-up demand for housing might not materialize. Many young potential home buyers may be frightened, he speculated, and may be content to double up with parents or in-laws.

Guest speaker, economist Dr. Donald Ratajczak, addressing NAWLA members, noted however, that the recovery is not as weak as many have been saying.

"Second and third quarter momentum is in the cards in housing," he said. "The consumer is coming back into the marketplace. Consumer income is starting to rise. We'll see an increase in real spending."

Ratajczak is predicting 1.62 million housing starts this year, which will require 12.7 billion board feet of lumber or 40% more than last year.

"Basically, you fell into a deep hole and are climbing out of it," he told the group. "You will find out what level earth is at the end of this year."

He did note that capital spending has picked up somewhat earlier than is normal during a recovery, because business has learned that it must be cost effective.

Some lumber wholesalers are taking innovative steps:

At Mid-State Lumber, Branchburg, N.J., business is up and president Bernie Bernstein is wasting no time in developing new ways to serve his retail customers, which make up the majority of his business.

Currently, to deliver cleaner, more appealing appearance lumber, Bernstein is working on a deal with Western Intermodal Services, South Holland, Ill., to have lumber-laden trucks shrink wrapped before being piggy-backed across country on flatbed rail cars.

The process, he hopes, will cut down on dirt and damage, since at $60,000 a load for about 50,000 board feet, "you can't afford to have too much damage."

It seems to be a forward-

(Continued on page 35)

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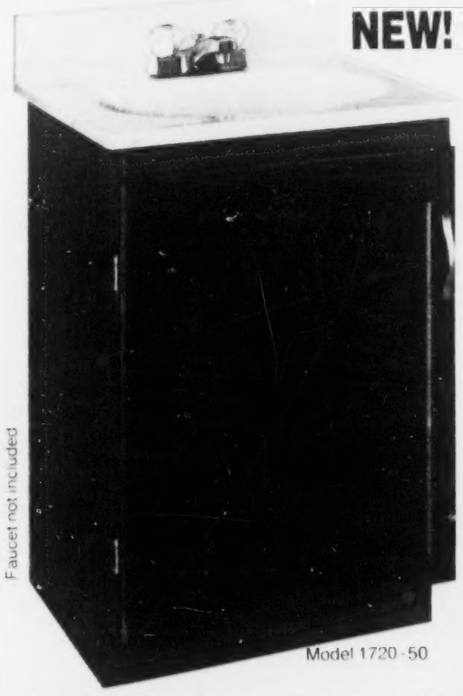

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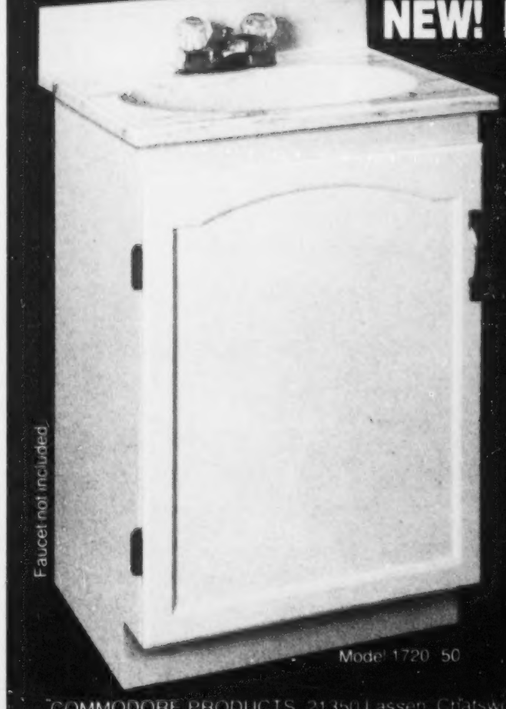

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SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
The Home Depot	5/1-1st qtr.	$ 42,993	$ 25,610	68	$1,367	$ 795	72
Lowe's	4/30-1st qtr.	299,500	214,800	39	8,700	3,200	170
Pay 'n Save	4/30-1st qtr.	244,488	218,105	12	2,509	912	175
Rickel Home Centers	4/30-1st qtr.	53,800	44,333	21	—	—	—
Scott's**	4/30-1st qtr.	8,290	6,743	23	206	– 209	—

*$ in thousands
**Results for Scotts Seaboard's retail Scott's division and its operating profits only.

Scott's sees operating profit in 1st qtr.

LINTHICUM, Md.—A successful advertising campaign, including its first television ad program (*NHCN*, April 25), and maturation of certain former Frank's units acquired in 1981 joined with an improving economy to put Scott's in the black during the first quarter, company officials said.

The 17-unit, Baltimore/Washington chain reported operating profits of $206,000 for the quarter ended April 30 compared to a first-quarter loss of $209,000 a year ago.

The factors that helped Scott's make a profit in the period also helped produce a 23% rise in sales to $8.3 million compared to last year.

Overall, Scott's parent, Scotts Seaboard, which also operates millwork distributor Seaboard Plywood & Lumber, South Windsor, Conn., reported net income of $156,000 for the quarter compared to a net loss of $416,000 a year ago on a sales gain of 27% to $10.7 million. The net income figure includes a $75,000 income tax benefit from the application of net operating loss carryforward.

Hines shareholders to get 15¢-per-share dividend

CHICAGO—Edward Hines Lumber is resuming dividend payouts after more than a year and a half without them—a move essentially based on a brightening outlook for the near future.

The 25-store company with wholesale interests will pay a 15¢-per-share dividend on July 11 to shareholders of record on June 15. It last paid the 15¢-per-share dividend in October 1981.

Hines officials are looking for continued improving results from its retail and wholesale businesses this year despite a lukewarm first quarter. Losses from continuing operations in the first quarter totaled $550,524, down from a $3 million loss incurred in the same period last year (*NHCN*, June 6).

Sales from the businesses did improve 48% in the quarter, however, and the company reported a $4.9 million net profit, mostly from a $5.5 million extraordinary gain in the period.

The company has sold off most of its sawmill and timberland holdings to concentrate on retailing and wholesaling.

Lowe's sales, earnings rise in 1st quarter

NORTH WILKESBORO, N.C.—A 37% rise in comparable-store sales and an overall 39% increase in volume helped push Lowe's earnings 170% ahead of its first quarter 1982 levels during the initial three months of its current fiscal year, company officials reported.

Lowe's net income reached $8.7 million in the first quarter ended April 30 on sales of $299.5 million.

The sales gain was sparked by a 52% rise in professional sales to $147.9 million. Retail volume grew 29% from the same period last year to $151.7 million.

Officials from the 235-store chain said the increased sales along with continuing programs to strengthen gross margins which stood at 24.6% chainwide in the quarter, and manage expenses contributed to the sharp earnings increase.

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FINANCIAL

STOCK PRICES

	As of 5/26	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	46½	47¼	19¾	16
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	11⅞	15⅞	4⅞	—
Forest City (AMEX)	10⅞	11¼	3¼	54
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	49⅛	49⅝	28½	11
The Home Depot (NASDAQ)	45	47⅜	7¾	—
Lowe's (NYSE)	29¼	32	8⅜	33
Pay 'n Save (NASDAQ)	50⅝	51⅜	16⅝	—
Pay 'N Pak (NYSE)	21⅝	21⅝	18¾	17
Payless Cashways (NYSE) [Furrow]	30⅛	29⅞	9⅜	30
Scotty's (NYSE)	17¾	21⅛	9	18
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	14¼	14¾	7¼	—

Over-the-counter stocks

	As of 5/26 Bid	As of 5/26 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	20	21½	20	8½
Hechinger	31	31⅛	38½	14¼
Home Centers of America	7½	8	8	5
Hines Lumber	25½	27	26½	13
Scotts Seaboard [Scott's]	4½	6	4½	⅝
Wolohan Lumber	9⅜	9½	10⅛	3¼

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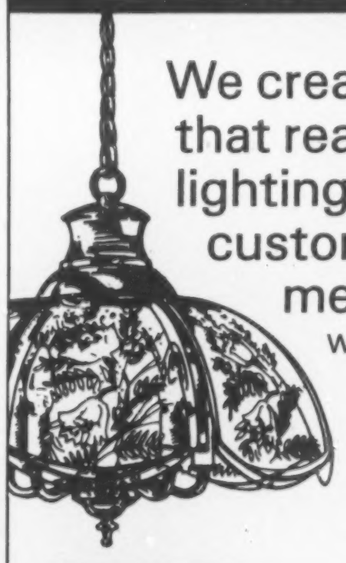
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National
Home Center News ®

Vol. 9, No. 14 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. July 4, 1983

Peter Kuntz' new course: 100% DIY

Prototype stresses consumer business

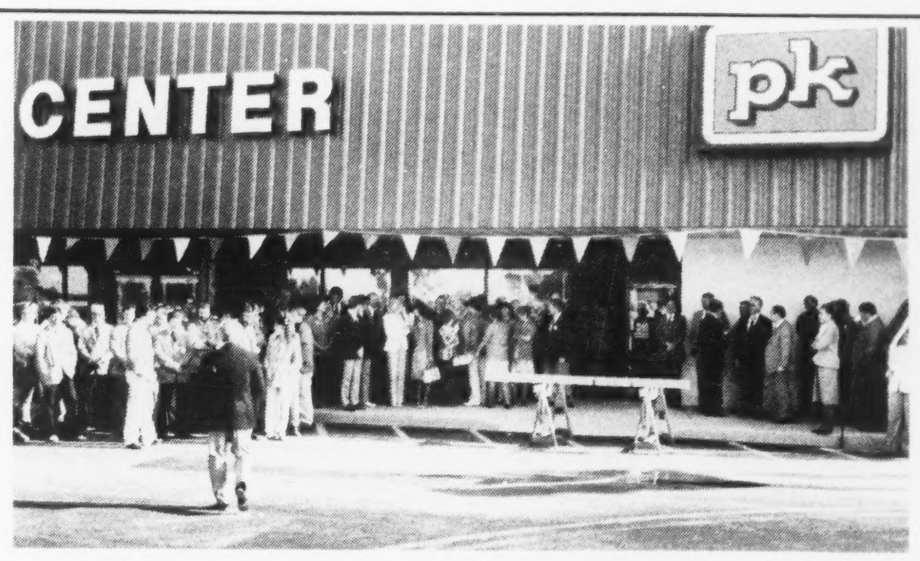
By Phillip M. Perry
NHCN associate editor

HUBER HEIGHTS, Ohio—The Peter Kuntz Co., until now a retailer with a 60%-40% mix of consumer-contractor sales, has shifted direction on all new stores to 100% consumer.

The first store to reflect this new direction opened May 26 in this Dayton suburb as a conceptual prototype for future PK Building Centers. The store has 28,000 sq. ft. of showroom and 10,000 sq. ft. of outside display space.

"This store is just the beginning of our plans to change our image and customer mix," said Martin Kuntz, president of the $50 million, privately held company, which operates 25 stores primarily in Dayton suburbs and eastern Indiana.

Thomas Cawley, merchandising vice president, said the new store is a conceptual prototype that possesses a number of features the company wants to incorporate into new stores. The $1 million project, funded by an industrial revenue bond, is expected to return between 25% and 30% more in consumer sales than any other PK store.



Customers and employees await ribbon-cutting at opening of new PK Building Center in Huber Heights, Ohio. The store is the company's first to reflect new emphasis on consumer sales. NHCN photo

The store has opened at a time when large competitors are expanding into the Dayton market, noted Cawley. In May, he reports, two $2.5 million industrial revenue bonds were approved for two new 84 Lumber sites. Also, Payless Cashways is looking for two or three new sites in the market. And, in a few weeks Sutherland Lumber is planning to open an 84,000-sq.-ft. store expected to resemble a warehouse operation.

"The increasing level of competition has made us better marketers," said Cawley.

The new PK image begins with the "Building Center" title which will be used on new stores. The designation was based upon results of two months of market research performed in conjunction with Wright State University,

(Continued on page 36)

Bowater to launch first three stores by end of the year

Targets $500M in sales by 1990

By John Caulfield
NHCN associate editor

PLANO, Tex.—"Our company is not interested in developing a chain with only four or five stores," asserts Ralph Dillon, president of Bowater Home Centers. "We want to be a major force in the industry."

For a company that has been trying to crack into the industry for three years and won't open its first store until September, Bowater—a subsidiary formed in 1980 by the British manufacturing and trade firm Bowater Corp.—is setting out on an ambitious course.

Dillon, a 10-year veteran of Wickes Lumber who joined Bowater in August 1982, said that by 1990 the company would have 40 to 50 stores throughout the Sunbelt generating in excess of $500 million in sales by 1990.

By the end of 1983, Bowater expects to have opened three home centers, in Mesquite, Richardson and Arlington, Tex.—the first a former Treasury unit, the other two Woolcos. Each will be a 70,000- to 75,000-sq.-ft. warehouse-style home center carrying about 30,000 sku's and from $1.8 million to $2 million worth of inventory at retail.

This month, meanwhile, Bowater will open its first distribution center. In addition, Dillon said the corporation has already pledged $500,000 to place each retail unit on a computerized POS inventory and sales recapture system. And, over the past half-year, the company has scoured the home center industry to attract sev-

(Continued on page 42)

Home center chains turn to owner-builder schools for in-store DIY seminars

BERKELEY, Calif.—While home centers have traditionally used vendor reps or their own personnel to run in-store seminars for customers, chains such as Lumberjack Stores, Orchard Supply and Ace Hardware Corp. have started to use the services of instructors from a growing number of owner-builder schools.

Owner-builder schools came onto the scene about five years ago to train increasing numbers of people who want to build their own homes. Providing in-store clinics at home centers is a new twist which has arisen over the past few months.

the Owner Builder Center
A non-profit organization.

The Owner-Builder Center of Berkeley is headquarters for the newly formed Nat'l Assn. of Owner-Builder Schools.

Users report the schools provide instructors with hands-on experience, freedom from manufacturers' bias, and a refreshing lack of commercialism in their presentations.

In May, the National Assn. of Owner-Builder Schools was formed to coordinate the resources of close to 40 such schools nationwide for use by home centers, distributors and manufacturers.

Lumberjack Stores, Sacramento, Calif., will employ the instructors from the Owner-Builder Center of Berkeley for a series of deck seminars this August. The Berkeley school serves as headquarters for the new association and is the largest such school in the nation.

"We feel using the outside school to run the deck seminars will take some of the commercialism out of the promotion," explains John Lyon, sales manager for Lumberjack. "This should attract more people."

Starting Aug. 5, deck seminars will be held on four consecutive Saturday mornings from 9 a.m. until noon. Two hours of instruction will be followed by two hours of hands-on experience each morning. By the end of the four weekends the entire deck will be constructed.

(Continued on page 42)

After the deluge:

Expect extended L&G promotion to recoup spring sales wash-out

NATIONAL REPORT—Home center retailers and vendors expect lawn and garden selling seasons to be extended into July and possibly August this year in order to recoup business lost to an unusually rainy spring and a string of weather-related catastrophies.

At least 30 spring sales days were washed away, some industry sources estimate. Most dealers, however, do not expect lawn and garden business to dip below last year's totals because early season sales had been brisk and a strong June and July are hoped for, weather permitting.

It is not certain which products were most hurt by the weather. In some areas of the country power equipment sales were off, while hand tools did well. In other areas the opposite was true. The same contrast occurred with seed and fertilizer.

That the weather has been what one dealer described as "wacky" was undeniable. The National Weather Service reported that, through May, rainfall was 50% above seasonal levels throughout the country:

- On the East Coast, rain fell on 15 to 20 consecutive weekends in some states;
- In Denver, snow fell the third week in May;
- And, in usually dry Utah, 15.5 in. of rain had fallen for the year through June 9 and one ski area, 25 miles from Salt Lake City, reported 805 in. of snow had fallen this winter compared with 650 in. at this time last year. A sudden four-day heat spell melted massive amounts of snow, and resulted in floods and mud slides.

"Virtually every home has been sandbagged, and the state has been relocating people to safety every day," said Bob McHale, merchandising vp for the 23-unit Anderson Lumber, Ogden, Utah.

Because of the poor weather, McHale said the stores' higher-ticket lawn and garden power equipment "has done very poorly. We brought in a truckload of lawn mowers for our 'early bird' promotion, and we're now forced to take steps—including margin slashing and resale to other dealers—to get rid of the inventory." He said that string trimmers had sold better, "but not nearly in the quantities we expected."

McHale said Anderson Lumber had been having "our most successful season with lawn and garden tools in our history. For instance, we've been promoting

(Continued on page 41)

NEWSBREAKS

NEIMAN-REED PRESIDENT RESIGNS. Bob McNulty, who joined 13-unit Neiman-Reed, Van Nuys, Calif., one year ago as executive vp, and who was named president in March, resigned July 1 to pursue new business interests. Jack Barber, one of three area supervisors and considered McNulty's right-hand man, will take charge, as vp-operations. Barber, a 15-year retailing veteran, worked at Two Guys and Angels, prior to joining N-R last year.

INSIDE:

HORACE PIERCE, longtime NRLA torchbearer, died of cancer last month ..... Page 4
'A BIG TURNAROUND' is how Chase-Pitkin president Stephen Underwood describes the improved sales performance of the 10-unit Rochester, N.Y., chain ..... Page 3
TOOL KING, a six-store specialty chain, stands out in the competitive Denver market through heavy advertising and strong service ..... Page 3
TIME'S RUNNING OUT on contract relief for timber companies holding high-priced Federal stumpage ..... Page 6

NHCNews Briefs

Industry Update

Home Depot stock splits again

ATLANTA—Home Depot stock split for the fourth time in 18 months, on June 8.

The 2 for 1 split was authorized at the May 18 board of directors meeting of the 13-store chain. The stock was selling at $54 per share on the day of the split.

A similar split occurred last December. That action was preceded by a 3 for 2 split in January 1982 and a 5 for 4 split in April 1982. Home Depot stock was first issued in September 1981 at $12 per share.

The strong stock market showing has probably been driven by the company's performance. In the first quarter of 1983, compared to the same quarter a year ago, income grew 72% to $1.4 million on sales of $43 million, a 68% gain.

The Home Depot now has about 22 million common shares outstanding. The board of directors increased authorized shares from 15 million to 50 million.

No appeal on ITA tariff issue

WASHINGTON—The final decision of the International Trade Administration rejecting import duties on Canadian lumber, shakes, shingles and fencing will not be appealed, according to Paul Ehinger, executive vp of the Western Resource Alliance.

Groups that supported the tariff under the auspices of the Coalition for Fair Canadian Lumber Imports, may eventually seek another remedy, such as a revision of trade laws, Ehinger said. For the moment, however, the issue seems closed.

"We have other options that could be explored," said Ehinger. "But with the economy returning, logic says we're going to sit back on our haunches and take a look."

The ITA, an arm of the Department of Commerce, made its final determination on May 24, with a finding that Canadian subsidies on the product in question were minimal and that "no benefits which constitute subsidies . . . are being provided to manufacturers, producers or exporters in Canada." This final ruling followed a similar preliminary determination on March 7.

Imposition of a tariff requires not only demonstrating that a foreign country is subsidizing its industry, but also that United States companies are being hurt by that competitor's exports.

Last November the U.S. International Trade Commission found that United States lumber producers had indeed been hurt by their Canadian counterparts. But the United States lumber industry has recovered dramatically since then, possibly to the point that, if the ITA result were appealed, injury would now be difficult to prove, according to Ehinger.

Payless in Colorado Springs

COLORADO SPRINGS—Payless Cashways has completed conversion of the three former Brookhart stores it took over here last year, with stores reportedly averaging just over $4 million in unit sales annually. The figures, officials indicated, are somewhat under the chain's average, although Colorado Springs currently hosts 10 major competitors serving a population of only 250,000.

To make the public aware of Payless, advertising budgets have been increased to 2.5% of sales in Colorado Springs compared to the more typical 1.5%. The company also became deeply involved in a community effort to build a running track for the "Handicapped Special Olympics."

The effort was consistent with Payless' policy of making a civic contribution each time the 111-store chain enters a new market. The track was selected because of Colorado Springs' strong commitment to its handicapped and other special populations, a Payless spokeswoman said. The track is part of Otis Park, where most equipment is specially designed for handicapped access.

Payless initially donated $3,500 and joined with several civic groups in a challenge called "Help Us Make It To The Finish Line," which was aimed at raising several thousand additional dollars.

National Home Center News

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $20 a year ($21 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 9, No. 14 July 4, 1983

Madera Pacific expansion rests on Knecht Lumber Mart model

RAPID CITY, S.D.—Madera Pacific Inc., a Midwest holding company, is making a major new commitment in the retail building materials industry by launching an expansion program for its Lumber Mart chain.

"We plan to acquire or open an average of two stores a year," said Madera Pacific president Ron Doering. If the economy's recovery continues unabated, Doering feels that in five years the Lumber Mart chain, which now consists of three stores, will likely grow to be a $25 million operation with eight to 10 outlets in any of five Plains states.

The company will move into its second phase of expansion this fall when it plans to enlarge the 4,000-sq.-ft. display area of the Gilette, Wyo., Lumber Mart by converting that store's 6,000-sq.-ft. warehouse into merchandising space.

Last December, Madera Pacific replaced the facilities at its 55-year-old Knecht Lumber Mart in Rapid City—where Madera is headquartered—with a new 36,000-sq.-ft. store offering triple the display space.

"With the Knecht opening we moved into the home center field for the first time."

With the $1.4 million Knecht construction, Doering expects additional annual revenues of $2.5 million; the old store sold over $6 million worth of merchandise annually.

Depending on the nature and size of the surrounding populations, each of the new stores will open as a traditional lumberyard, a cash and carry farm and agricultural outlet, or a home center. To facilitate the chain's future management needs, new stores will be located within a single day's travel from Madera's headquarters, in North Dakota, South Dakota, Nebraska, Wyoming or Montana.

Colorful banners, an open truss system, downlighting, wide aisles and a five-tiered lumber display highlight the new Knecht Lumber Mart, Rapid City, S.D.

Because of the sparse population in the upper Midwest, many of the new stores are likely to be smaller than the Knecht facility, which has an inventory of from $750,000 to $850,000.

According to Doering, before acquiring or opening a store, prospective sites must be in an area with a minimum of population 25,000 people within a 60-mile radius and be able to generate annual revenues of at least $1 million.

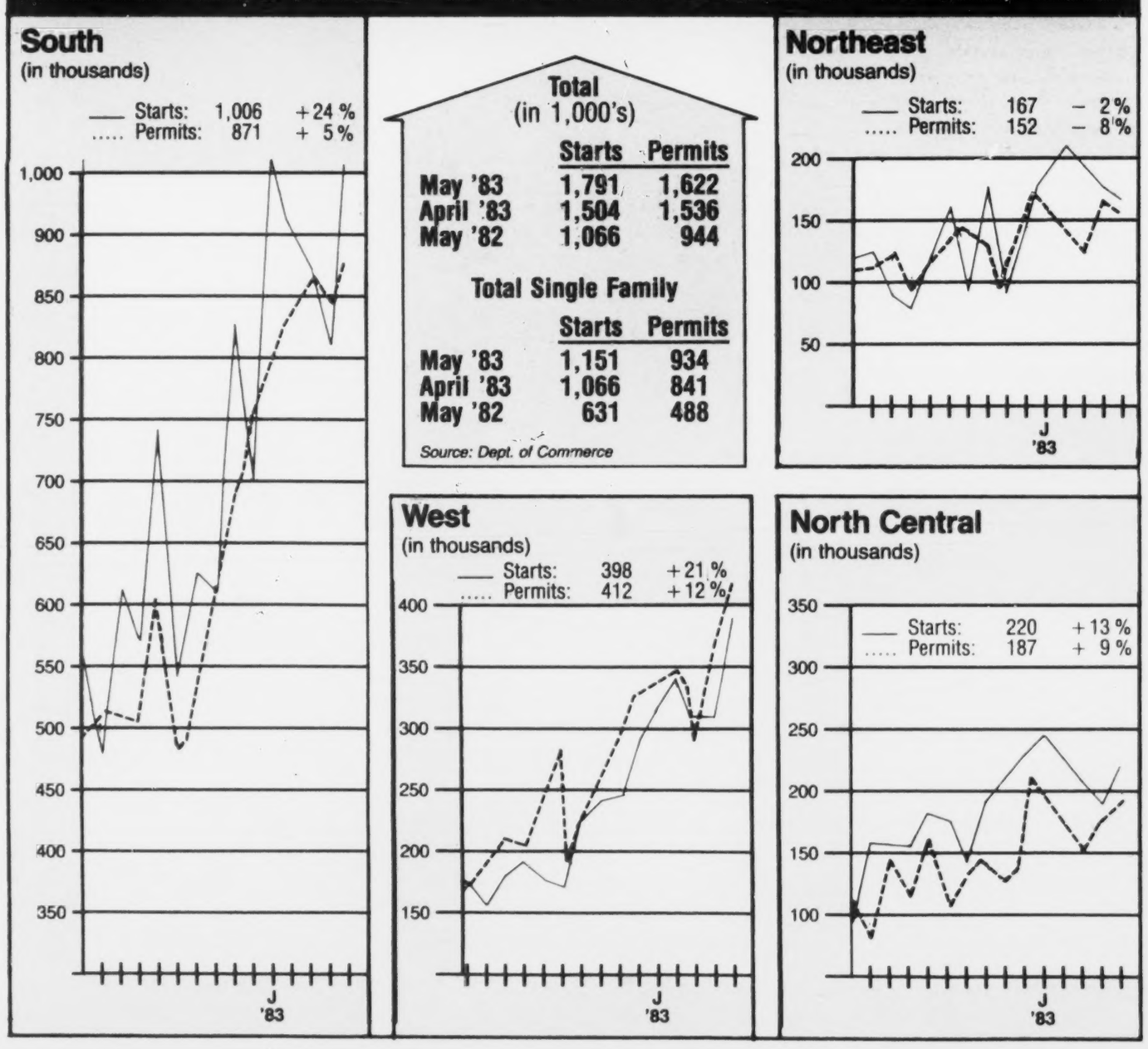
The Knecht store currently serves a population of 90,000 people within a 50-mile radius of Rapid City, a town which serves as a distribution center for the sparsely settled area of western South Dakota. Although a number of lumberyards and hardware stores serve the city, the only serious home center competition for Knecht is a Lampert Lumber Co. outlet three miles away, Doering said.

Although a rebound in the economy encouraged the expansion of the Knecht store, the actual decision to grow was precipitated by a crisis in mid-1981, when the landowner from whom Knecht leased its building found a buyer for the property.

To save its position, Knecht entered into a joint venture

(Continued on page 41)

May home-building activity



Housing starts and building permits in May reached their highest levels since September 1979. Total seasonally adjusted starts were 1.79 million, a 19% increase from April, while permits were 6% above April with 1.62 million filed. Compared with seasonally adjusted figures for May 1982, starts and permits were up 68% and 72%, respectively.

Both the South and West recorded sharp month-to-month increases in May, while the North Central region was up somewhat more moderately and the Northeast actually experienced a decline in both seasonally adjusted starts and permits.

May's strong showing overall was attributed to good weather and interest rates that remain relatively favorable, although there is still apprehension that those rates could again climb.

FINANCIAL

STOCK PRICES

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W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	49¼	49⅝	28½	11
The Home Depot (NASDAQ)	28¼	29¾	4	—
Lowe's (NYSE)	27¾	32	8⅜	31
Pay 'n Save (NASDAQ)	22⅝	25⅝	8⅜	—
Pay 'N Pak (NYSE)	20	21¼	18¾	15
Payless Cashways (NYSE) [Furrow]	29⅜	31	9⅝	29
Scotty's (NYSE)	18	21⅛	9	19
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	13¾	14¾	7¼	—

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Hechinger	23⅜	28½	38½	14¼
Home Centers of America	11	11¾	12½	5
Hines Lumber	25¾	27	26½	13
Scotts Seaboard [Scotts]	3½	5	4½	4⅝
Wolohan Lumber	9	9¼	10⅛	3⅜

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Hechinger	4/30-1st qtr.	$ 64,746	$ 54,756	18	$2,446	$ 2,020	21
Lowe's	5/27-4 wks.	123,100	86,500	42	—	—	—
Scotty's	5/28-4 wks.	34,433	27,245	26	—	—	—
Wickes	4/30-1st qtr.	640,482	592,796	8	−7,793	−156,367	—

*$ in thousands

Hechinger 1st quarter results:

Unseasonable weather dampens growth

LANDOVER, Md.—Wet and cool weather during the first quarter ended April 30 limited Hechinger sales growth to 18% overall and to 5% on a comparable store basis in the period, officials reported.

The 37-unit chain had first quarter volume of $64,745,508 to help net earnings reach $2,446,114, or 21% better than in the same period a year ago.

Activities in the quarter included the opening of Hechinger's first outlets in North Carolina, one in Winston-Salem and two in Charlotte. Preopening expenses associated with the openings were written off in the quarter, officials noted.

Hechinger also sold 600,000 shares of common stock with proceeds totaling $13.4 million to fund future expansion.

Units in Baltimore, Durham, N.C., and Sterling, Va., to be opened this year are takeover buildings and the company plans to renovate the structures into 60,000-sq.-ft. stores at a cost of $500,000 to $750,000 per unit, officials said.

Ernst parent sees record 1st quarter earnings gain

SEATTLE—Pay 'n Save Corporation, parent company of Ernst Home Centers, announced record gains in first-quarter earnings as net income increased by 175% for the quarter on top of a 12% sales increase for the same period.

Net income totaled $2,509,000 compared with $912,000 last year. Sales grew to $244,488 from $218,105,000 recorded in the first quarter of last year.

Chairman Calvin Hendricks said that of the increased earnings "the most significant [came] from the home center division."

Ernst home centers, an 81 store chain, plans to open a new store in Missoula, Mont., at the end of the year.

At Pay 'n Save's annual meeting, stockholders approved a 2 for 1 split and an increase in the company's authorized common stock from 10 million to 20 million shares. The quarterly dividend of 28¢ per share was adjusted to 14¢ per share.

CALENDAR

July 11-14
79th International Housewares Exposition, McCormick Place and McCormick Place West, Chicago.

July 16-17
2nd Annual Sentry Dealer Market, Municipal Auditorium, Nashville, Tenn.

Aug. 6-7
Ohio Valley Hardware Fall Dealer Market, Executive Inn, Evansville, Ind.

Aug. 12-14
Virginia Building Material Assn. (VBMA) **Summer Management Conference,** Ramada Inn On-The-Beach, Virginia Beach, Va. 804-745-4200.

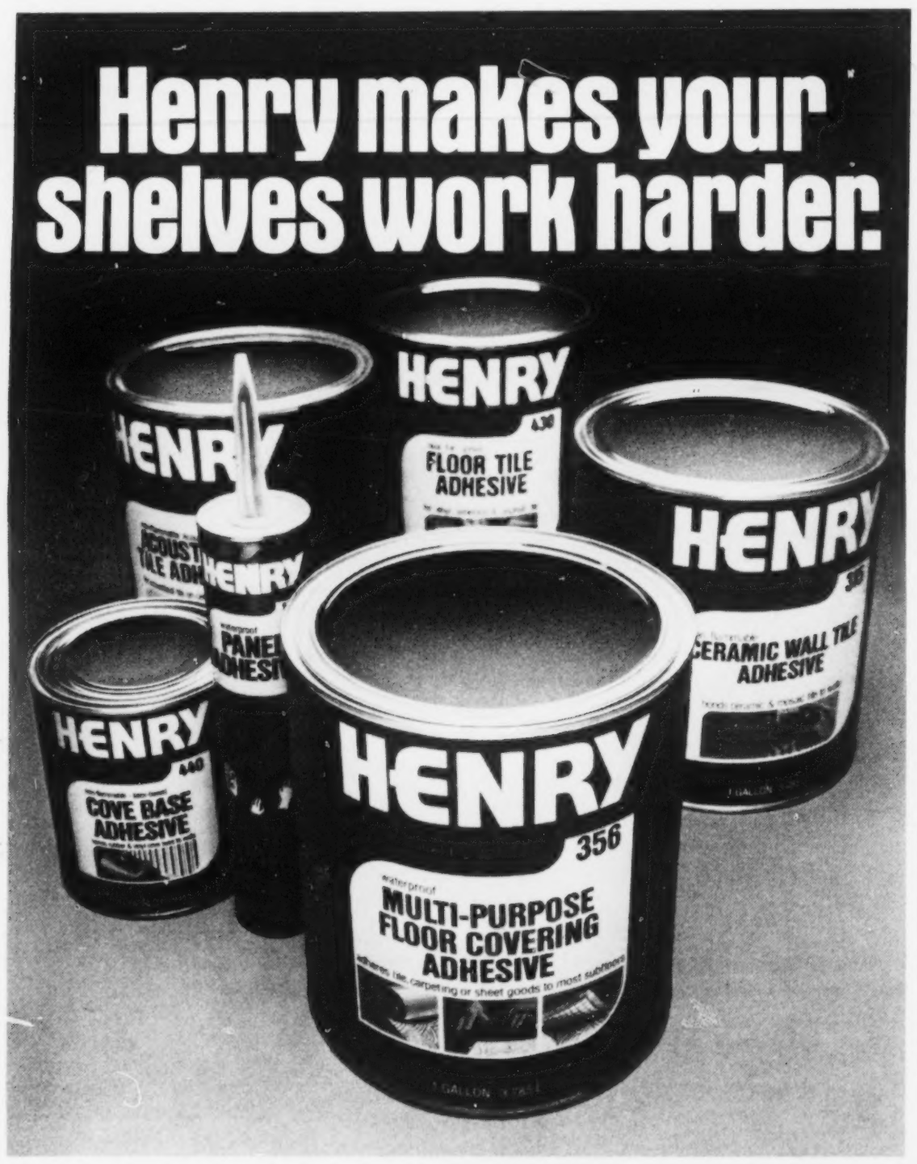
Aug. 17-20
Wood Moulding and Millwork Producers, Summer Meeting, Broadmoor Hotel, Colorado Springs, Colo. 503-292-9288.

Aug. 19-21
Retail Lumber Dealers Assn. of Maine, Annual Meeting, Samoset Resort Inn, Rockland, Maine.

Aug. 20-21
Moore-Handley Co., Dealers Show, Birmingham//Jefferson Civic Center, Birmingham, Ala.

Aug. 13-18
38th Annual National Hardware Show, McCormick Place West and McCormick Place, Chicago. 203-964-0000.

When's your show?
If home center operators will be attending your show, association convention or special seminar, *NHCN* wants to know. Send date, location and schedule to: Calendar, *National Home Center News*, Lebhar-Friedman, 425 Park Ave., New York, N.Y. 10022.



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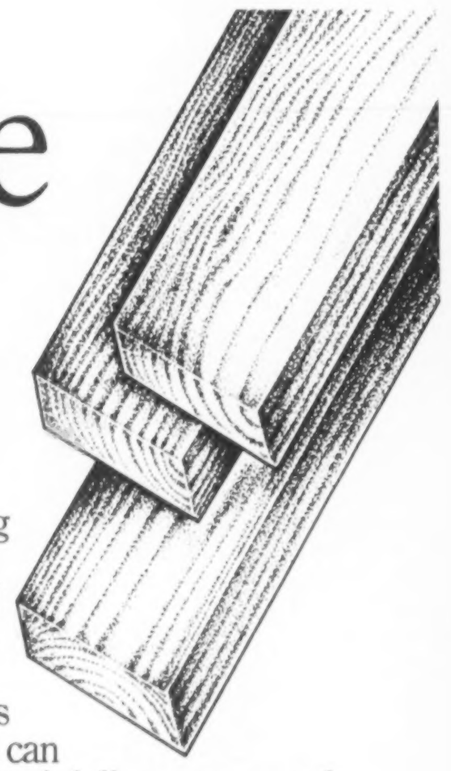

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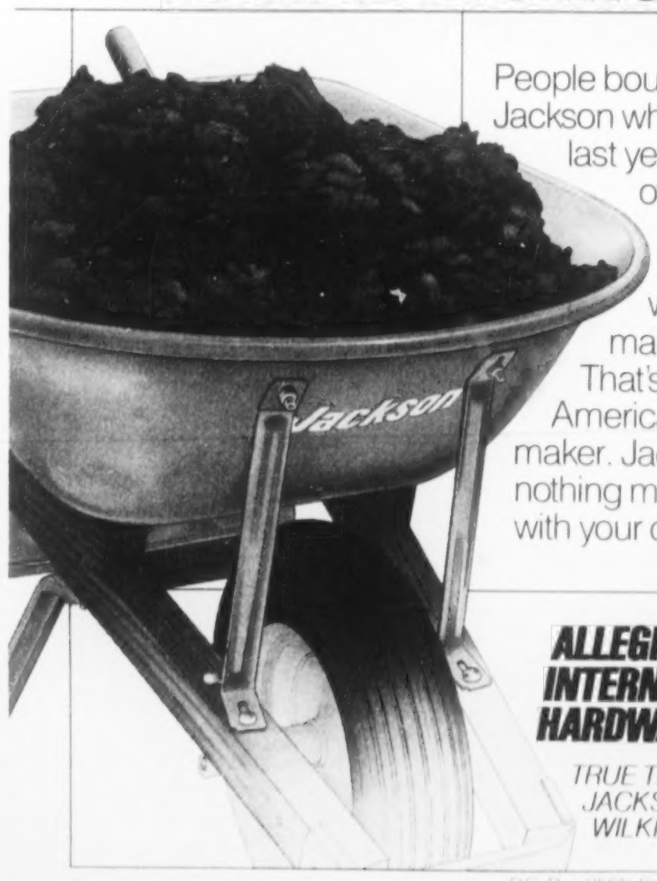

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National Home Center News®

Vol. 9, No. 15 | The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. | July 18, 1983

Housing mismatch signals booming home alterations

NATIONAL REPORT—Virtually three-fourths of America's 83.5 million households provide too little, or too much living space for the needs of their occupants.

The dilemma amounts to a massive "housing mismatch" in the United States, where a generation of older Americans no longer need all the space they have, while their children who have grown and are looking for their own housing, are finding they cannot afford the space they need.

Together with the vast amount of maintenance and modernization projects postponed because of the recession, the need to alter and improve America's existing housing stock appears enormous. In the past 12 months, over 16.2 million households, completed a major home improvement project of $100 or more, according to an extensive nationwide consumer survey just complete for *National Home Center News* by Leo J. Shapiro & Assoc., a Chicago research firm.

Households completing projects:

- *Spent an average of $2,648*
- *53% DIY; 30% hired contractors; 17% used some hired help, but . . .*
- *67% decided where to buy*
- *Home centers are chief supply source*

A total of 19.3 million households, meanwhile, plan comparable projects in the coming 12 months. Altogether, a third of America's households, or 27.5 million, either completed and/or plan a major home improvement.

Among households probed in detail that completed a major project in the past year, kitchen and bathroom remodeling were the most frequently tackled projects, for the second year in a row, according to *NHCN* research.

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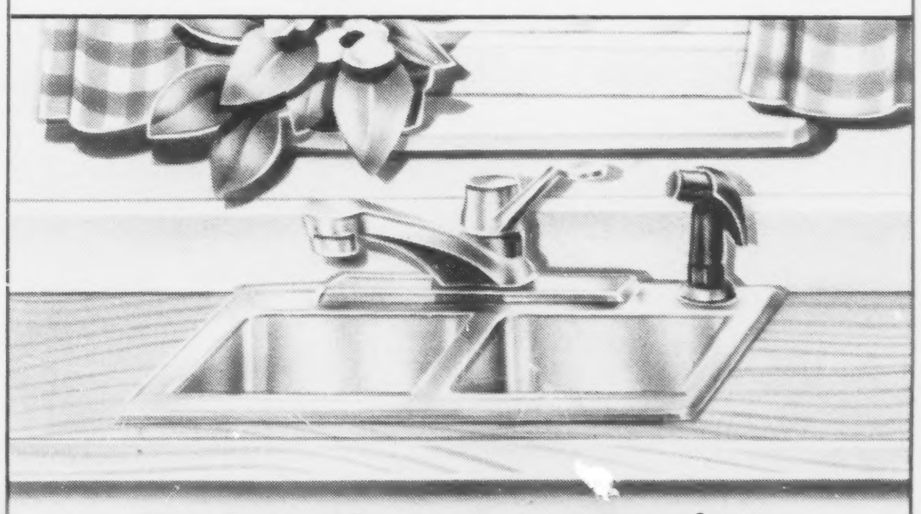

Top home improvement projects
completed in past 12 months

Projects	% of H.I.Q.* households	% of all households nationally**
1. Kitchen remodeling	13.0%	2.8%
2. Bath remodeling	13.0	2.0
3. Paint/wallpaper	12.1	3.3
4. Added porch/patio/deck	11.2	2.2
5. Room remodeling	10.3	1.1
6. Tile/flooring	8.1	2.4
7. Garage/basement remodeling	8.1	0.9
8. Paneling	7.6	2.0
9. Windows/doors/siding	6.7	1.1
10. New ceilings/walls	6.3	0.4
11. Heating/ventilation	5.8	0.9
12. Added a room	5.4	1.1
13. New roof	5.4	0.9
14. Added garage/shed	4.5	0.9
15. Carpeting	4.5	0.9
16. Insulation	4.0	0.9
17. Remodeled whole house	3.6	0.7

*H.I.Q.-those respondents identified as having completed/planning a home improvement project of $100 or more in past/coming 12 months
**1% = 835,000 households

Kitchen and bath remodeling were the projects completed over the past year by the greatest number of those households involved in a big ticket home improvement job. Among all households nationally, painting/wallpapering a room held a slight edge over kitchen remodeling as the most popular project. Source: *National Home Center News*; Leo J. Shapiro and Assoc.

Evans spins off retail group to pay off corporate debt

Registers equity plan to offer 80% of stock

By Brad Altman
NHCN West Coast editor

PORTLAND, Ore.—Evans Products' retail group, encompassing 343 Grossman's, Lindsley, Moore's, Hubbard & Johnson, and Alamo Enterprises outlets in 20 states—and EP's largest and most profitable operating segment—will be spun off into a new publicly held corporation.

The steps leading to the dramatic change began in mid-June when Evans announced the creation of a wholly owned subsidiary named Grossman's Inc. Following regulatory approval, some 80% of Grossman's common stock will be offered for sale. Evans will keep a piece of the action—"at least 20% of shares outstanding," company officials reported.

The result: By late summer, a brand-new home center chain will be born, with Evans' current retail group management remaining in charge. The strategy behind the move is to use cash generated in the stock offering to reduce corporate debt, officials said. Last September Evans placed its retail group on the selling block for the same reason, but officials said none of the offers were adequate.

Mike Grossman, Evans' executive vp and retail group president, will head the new publicly held home center chain.

The decision to spin off the retail group came less than two months after Victor Posner became Evans' chairman (*NHCN*,

(Continued on page 62)

Top home center TV advertisers step up 1st qtr. spending by 62%

By David Morgan
NHCN field editor

NATIONAL REPORT—The leading home center television advertisers increased their spending 62% during the year's first quarter, with Payless Cashways topping the list of chains with $789,000 spent on TV.

According to figures released by the Television Bureau of Advertising, Scotty's posted the industry's largest year-to-year spending increase with expenditures 1,535% greater than those recorded for the first quarter of 1982. The Winter Haven, Fla., chain, ranked fifth in a list of 15 top advertisers, ended the quarter with $300,900 in television commercials, compared with only $18,400 for the same period last year.

Meanwhile, W. R. Grace subsidiary Handy Dan boosted its quarterly spending from $12,500 to $77,300, an increase of 518%. Knox Lumber of St. Paul, Minn., also posted a healthy increase in the first quarter, spending $105,300 in the Twin Cities market.

The top 15 home centers collectively spent $3.8 million on television advertising from January to March of 1983. The same retailers spent only $2.4 million during the comparable period last year.

TVB spokesman Bob Grebe said the dramatic spending increases noted by the statistics came during what is described

(Continued on page 62)

Hardware Show in Chicago showdown

Nearby festival bodes a traffic nightmare

By Kenneth Schept
NHCN senior editor

CHICAGO—A tempest is raging along Lake Michigan that threatens to exclude Chicago as a site for future National Hardware Shows.

A 10-day celebration of music, food and drink called Chicago Fest is scheduled for Soldier Field during the same period next month that the Hardware Show will be at nearby McCormick Place.

Citing the city traffic that show-goers traditionally battle, Hardware Show organizers complain that additional cars and buses headed to and from Chicago Fest will result in a driving and parking nightmare.

Chicago police have developed contingency plans to handle the anticipated crowds, although Chicago Fest promoters minimize the traffic inconvenience and argue that their event's extensive program of top-name performers actually offers Hardware Show goers an unusual entertainment bargain.

Meetings have been held between various parties involved and certain accommodations

(Continued on page 62)

NEWSBREAKS

HOME DEPOT DEBUTS LARGEST UNIT. Atlanta-based Home Depot opened a 96,000-sq.-ft. store, with a 10,000-sq.-ft. nursery, June 30, in Tampa, Fla. The new unit—the chains 14th and largest—carries $4 million in inventory.

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HECHINGER raises credit card carrying charges . . . . . Page 2
EDWARD HINES repositions for DIY sales growth . . . . Page 3
***NHCN*'s 1983 CONSUMER ATTITUDE SURVEY**
CONSUMER PROFILE: Who's tackling major home improvement projects by age, income, sex and family size Pp. 18, 44-53
SHOPPING PROFILE: Where, why and how often they shopped . . . . . Pp. 15-16, 29-41
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NHCNews Briefs

Industry Update

Teachout leaves BE

William T. Teachout said he has resigned from his executive-vp post at 60-unit Builders Emporium after "four-and-a-half tumultuous and exciting years" at the Irvine, Calif.-based home improvement chain. "It was for personal reasons," Teachout told *NHCN*. "I have no definite plans."

Teachout

At presstime, no replacement had been named and BE president Anthony J. Swies was unavailable for comment.

Teachout joined BE as vp-merchandising in 1978 and two years later was promoted to gm. Last July, in a management reorganization on the heels of parent Wickes' Chapter XI bankruptcy filing, veteran Wickes' executive Swies was brought aboard as president and Teachout took the then-newly created position of executive vp.

Teachout said he departed BE at the end of June "with a very strong sense of satisfaction. We delivered sales and profits above plan last year, and we're doing exceptionally well this year."

Teachout said his only immediate goal is to vacation "on a house boat somewhere in the middle of Lake Powell" for several weeks.

Before joining BE, Teachout was gmm of W. R. Grace's Angels Home Centers.

Diamond USA to sell 9 units

SACRAMENTO, Calif.—In its continuing effort to divest less productive, sometimes unprofitable units, Diamond USA has put nine stores on the selling block in the Northwest, according to retail division vice president Richard Cushman.

He indicated, however, that divestiture of the nine stores, two of which are already closed, should mark the end of the consolidation program that will have seen Diamond reduce its retail holdings from better than 120 stores to 97 outlets in the country.

Diamond is offering its units in Everett, Kent and Lacey, Wash., Portland, Salem and Woodburn, Ore., and Twin Falls, Idaho, for sale. The stores, all of which are contractor-oriented in line with Diamond's 65%-35% contractor-DIY mix, range in retail size from 3,000 sq. ft. in Portland to 15,000 sq. ft. in Salem.

The three Washington stores, all in the Seattle area, Cushman said, have 5,000 sq. ft. of retail selling space with another 5,000 sq. ft. of open-to-public warehouse on about four acres each.

Two other Diamond units in Springfield, Ore., and Bellingham, Wash., which had been in "mothballs," are for sale.

"The proposed sales are in response to Generale Occidental's plan that we review all of our operations," Cushman related.

Generale Occidentale and its chairman, British financier Sir James Goldsmith, acquired Diamond International late last year through a merger into Diamond USA, another Goldsmith holding. By then, Diamond had already sold or closed some stores in a consolidation move.

Summer hours till 10 at Knox

ST. PAUL—Knox Lumber's nine retail stores have been staying open an hour later since June 1, when company officials moved closing time from 9 p.m. to 10 p.m.

While many retailers make it a practice to open later during the summer, it is unusual to be open that late. The stores, located in Minnesota, Montana and the Dakotas, open at 7:30 a.m. for a 14½-hour business day.

Melvin Maurer, vp of merchandising and marketing, said the move was tied to the beginning of daylight savings time but he does not foresee an evaluation of its effect on sales until the end of the summer. He said positive results may encourage the company to maintain the extended schedule throughout the year, however.

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National Home Center News

National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $20 a year ($21 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 9, No. 14. Copyright© 1983 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10157. For change of address six weeks notice is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 9, No. 15 July 18, 1983

Hechinger ups carrying charge in line with competitive retailers

By Phillip M. Perry
NHCN associate editor

LANDOVER, Md.—Hechinger Co. has raised its customer credit card carrying charges from 18% to 21% in selected markets, effective July 1.

States affected by the increase include Delaware, New Jersey and Maryland. Rates in Pennsylvania and North Carolina have been increased from 15% to 18%.

"Costs of operating the credit department have been going up," explained company controller W. Clark McClelland. A recent re-examination of such costs resulted in the increase, he said. Another factor was the desire to bring Hechinger's carrying charge up to a level closer to other retailers in markets served.

Carrying charges at retail chains now range from 18%-21%, according to the Credit Research Bureau, Purdue University, West Lafayette, Ind.

"Hechinger is raising its rates at a time when bank interest rates are coming down," says center director Dr. Robert W. Johnson. "On the other hand, the new rate does not exceed the upper level of the normal retail charge rate."

Johnson says personnel salaries normally account for over a third of the costs incurred in a retail charge account program. "This is one reason retailers have to charge more than the prevailing rate," he said. "Another reason is a general trend today toward transforming the credit program from a cost of doing business, like a parking lot of advertising program, into a profit center."

While McClelland would not say what portion of the Hechinger credit operation is attributable to personnel costs, he did say the increase was not an attempt to break even or make it a profit center.

Johnson said the Hechinger move may prove to be more troublesome than expected. "The higher carrying charges may increase the proportion of nonrevolvers," he said. "If a customer doesn't revolve, there is no income attributed to the credit department."

"We do not expect a substantial number of people to stop revolving," commented McClelland. "Our increase is coming along late and brings our carrying charge to a level at or below that of other retailers in our markets."

Sears, which now has a 21% carrying charge in 20 states, claims its rates are not necessarily the highest allowed by state ceilings, but rather are often tempered by local competition.

"State ceilings are not the only factors involved in our decisions concerning carrying charges," said McClelland. "Another is the level of carrying charges at other retailers in our markets."

Hechinger arrives at each customer's monthly finance charge by figuring the average daily balance if the monthly bill is not paid in full. In such cases, interest is charged from the day of the purchase.

Existing home sales reach a two-year high

NATIONAL REPORT—It has been a robust, even record-breaking season for housing.

Sales of existing homes in May reached their highest level in two years, 2.86 million units, seasonally adjusted. Housing starts for the same month reached 1.79 million units, seasonally adjusted, the highest production since September 1979.

At the same time, contracting for new residential construction for the first five months of 1983 reached $33.7 billion, a 65% increase over the same period last year, according to F. W. Dodge.

Housing affordability has also been increasing, according to an index compiled by the National Assn. of Home Builders that measures affordability as a ratio of income to costs, with 1977 as a base year equalling 100.

According to that index housing affordability has been growing steadily and reached 83.7 in April compared with 65.2 a year earlier. The index reached its lowest point in 1981's fourth quarter when interest rates were the highest, with conventional mortgages at about 19%.

Greater affordability has apparently drawn more prospective customers. Last September the NAHB's monthly poll of its members showed that only 5% described prospective home buyer traffic as high. By March that figure rose to 43%. Seasonally adjusted housing starts were 1.1 million in September, 1.6 million in March.

While industry analysts have increased their forecasts of housing starts this year, they remain cautious because affordability is tied to factors such as interest rates and the cost of building materials, both of which have lately been moving upward.

Rates for conventional mortgages rose slightly in May to

(Continued on page 61)

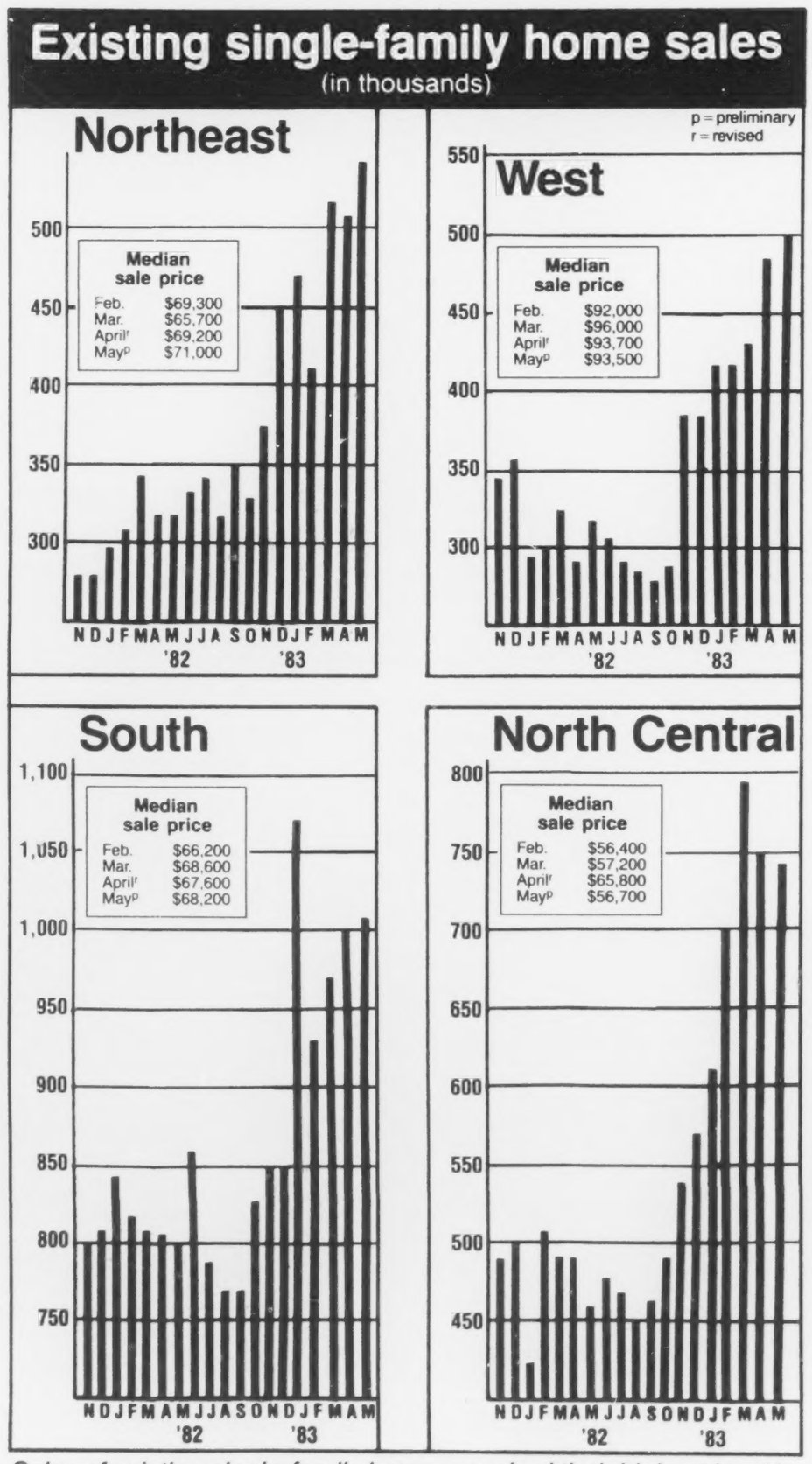
Hardware Wholesalers Inc. tops $500 M sales plateau

FORT WAYNE, Ind.—Last month, Hardware Wholesalers Inc., the 2,400-member dealer-owned wholesale co-op, surpassed $500 million in sales.

The co-op, which was founded by Arnold Gerberding and a group of 75 hardware and lumber retailers, reached $171,000 in sales volume in its first year. Five years later, in 1951, sales rose to $1.2 million, and HWI passed the $10 million mark in 1960. It hit $100 million in sales in 1972.

Currently, HWI distributes over 33,000 sku's to retailers in 32 states, and 60% of its membership and sales comes from home center operations. The company claims to be the first wholesaler to fully supply the home center industry as it is known today.

In fact, among other wholesale co-ops, HWI generates the greatest proportion of its sales —25%—from the distribution of lumber and building materials (*NHCN*, June 6). It ranks third in overall sales behind Cotter & Co. and Ace Hardware, both located in the Chicago market.



Sales of existing single-family homes reached their highest level in two-and-a-half years in May, growing 5% from April's figure to 2.86 million units, seasonally adjusted. However, real estate industry analysts were apprehensive that the rise in mortgage interest rates to 13% could negatively affect resale activity in June.

BEST AVAILABLE COPY

NHCN's 1983 Consumer Attitude Survey

THE GREAT HOUSING MISMATCH

27.5 million households tackling big $ projects

NATIONAL REPORT—About one-third of America's 83.5 million households are now involved in major home improvement efforts.

There are currently 27.5 million households that either spent $100 on a home improvement project last year or are planning to during the next 12 months, a new study by *National Home Center News* discovered.

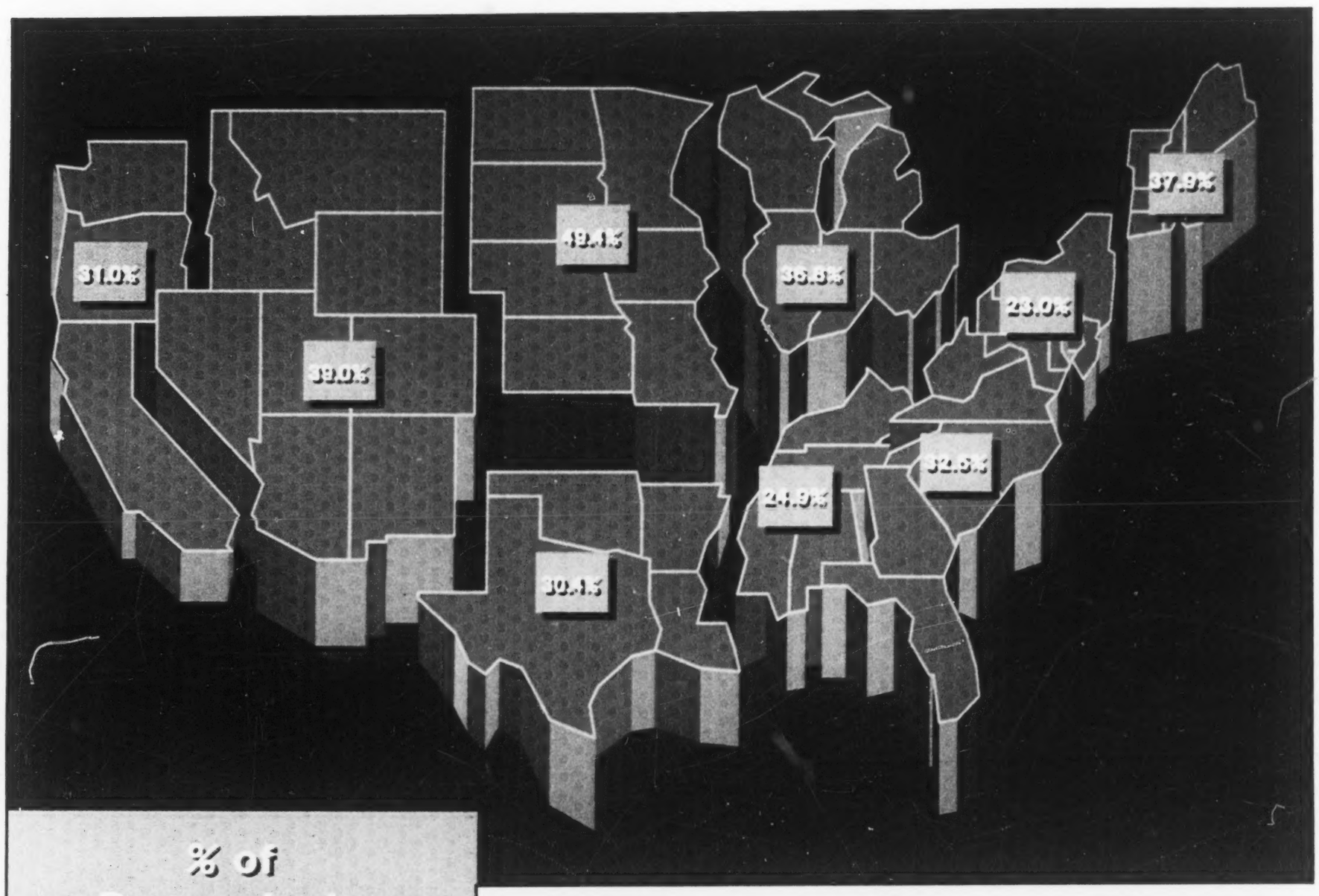
Overwhelmingly, the greatest concentration of home improvement activity is in the Midwest, in the same farm and industrial areas that have been economically distressed during the past several years.

In sheer numbers the Middle Atlantic States are strong, because of population density, although the percentage of its households engaged in home improvement activity is lower than any other region.

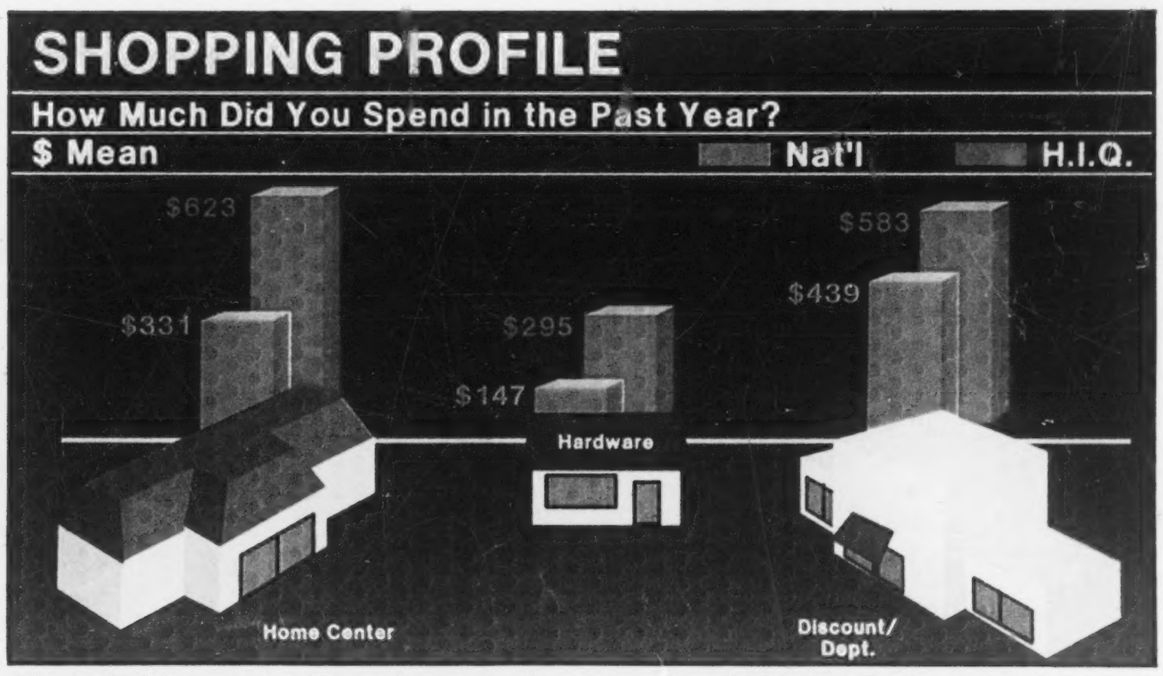
The Sunbelt is still less populated than more settled areas of the country and home improvement interest among households there seems to be moderate, perhaps because housing is newer. Continuing migration to that region means strong future potential.

In contrast, New England, with a siz-

(Continued on page 16)



The West North Central and Mountain regions showed the highest proportion of households that completed a home improvement project of $100 or more in past year or plan to in coming year; the mid-Atlantic states had the lowest proportion regionally, but the second highest concentration of projects nationally.



Households engaged in projects costing more than $100 (H.I.Q. households) spent nearly twice as much as general consumers at home centers in the past year.

Home center sales strong; but so is the competition

Households who actively pursued home improvement projects last year spent an average of $631 in home centers, twice the amount spent during the same period by the average consumer.

Despite gaining strong sales from project-conscious consumers, however, home centers have some way to go before they are thought of as the foremost supplier of home improvement products. Only a third of the nation's consumers currently think of home centers as being best equipped to meet their home care needs. Instead, more than half believe discount stores and department stores are most likely to carry the necessary products.

Even consumers who name home centers as their primary source of home improvement products shop there less often than declared department and discount store shoppers visit those outlets. Consumers who prefer hardware stores also shop hardware stores with more frequency than home center customers shop home centers.

Those are some of the results from a survey of home improvement shopping habits conducted for *National Home Center News* by Leo J. Shapiro & Assoc. of Chicago. The survey examined two

(Continued on page 16)

Homeowners decide where to buy: 53% DIY, 67% BIY

The decision about where to buy materials for a home improvement project is made by the homeowner in most instances, even when a contractor actually does the work or assists in it.

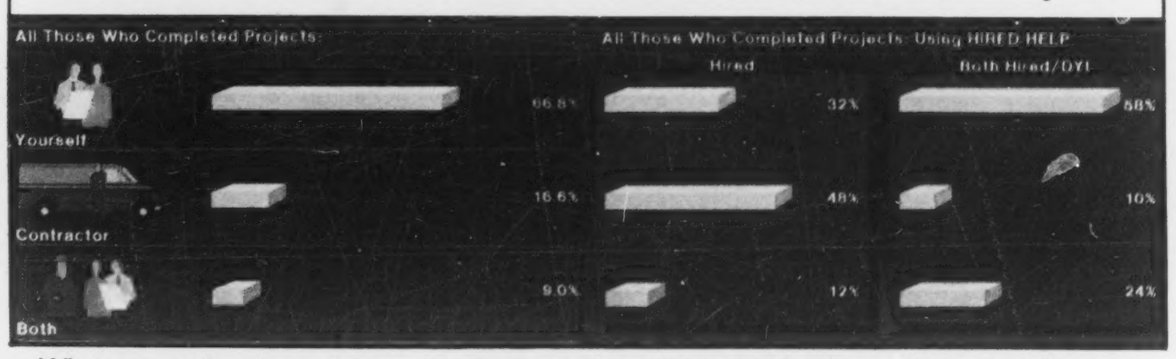
This trend was apparent in the recent *National Home Center News* consumer survey and has obvious implications for DIY retailers who apparently can be most effective by targeting promotions directly at the homeowner.

While many homeowners are ready to tackle projects themselves, even more are involved in deciding where to shop.

Among households that completed a project costing $100 or more last year, almost 67% of homeowners polled said they chose where to buy materials, even though only 53% did the work themselves. Not surprisingly, the proportion of homeowners deciding where to buy materials was highest among those who also did the work themselves. Almost 90% of these DIYers also purchased their own materials. (See Project Analysis table, page 17.)

Among homeowners who hired a contractor to do the entire project, however, roughly one-third still decided where to buy materials themselves. In cases where homeowners and contractors jointly completed a project, homeowners decided where to buy merchandise 60% of the time.

PROJECT ANALYSIS: *Who decides where to shop?*



When people do a home improvement project themselves they usually buy needed materials themselves, 66.8% of the time. More surprisingly, homeowners still decide where to shop 32% of the time even when contractors are doing the work. When contractors merely assist in a project consumers choose the place to shop for materials 58% of the time.

Relating these findings to one of the main themes of the *NHCN* study, America's housing mismatch, it seems that the decision about where to buy materials is most often made by those who complain of having too little space in their current homes.

Typically households now held by the "baby boom generation," 75% of this group decided where to buy materials. In contrast, only 57% of those who say their current home is too large, often people of retirement age, decided where to purchase materials.

Simply put, younger customers, often those who still do not have as much living space as they would like, are more likely to choose where materials are bought for their projects.

On a project-by-project basis, it is difficult to draw firm conclusions about what kind of materials homeowners are most likely to purchase themselves, but the trend toward the homeowner making the purchases is clear.

Among homeowners who remodeled a kitchen last year, 69% participated in the material purchasing decisions, even though 45% of the households hired a contractor to do all of the work and another 17% hired a contractor to do part of the work.

For those who remodeled a bath, 62% decided where to buy, even though only 48% did the jobs themselves completely. Similarly, 82% of homeowners who completed a wallpapering or painting project decided where to purchase materials, even though only 52% tackled the job completely on their own.

NHCN's 1983 Consumer Attitude Survey

Home centers garner sales against strong competition

(Continued from page 15)

sample household groups, one whose members had completed or were planning a home improvement project exceeding $100, and one whose members reflected the national consuming public in general. All participating households were asked to recount various aspects of shopping habits involving 10 categories of products.

Results from questions on spending, for instance, showed that those households engaged in home improvement projects —identified by the survey as home improvement qualified (H.I.Q.)—used credit in home centers slightly more often than national households generally. H.I.Q. figures showed that 19.6% of that group charged for purchases, while only 16.1% of the national sample did so.

About 46.5% of the H.I.Q. households who shopped discount or department stores used credit in arranging purchases, compared to 33.6% of the national households. Hardware stores showed the slimmest credit margins, with 3.6% of the national sample and 6.3% among H.I.Q. households.

When asked how much they had spent in the past year at a store they thought of as a prime source for home improvement products, H.I.Q. households that identified home centers reported an average expenditure of $623. About $330 was spent by home center shoppers in the national group.

H.I.Q. households that named department or discount stores spent an average $583, while national households that named discount or department stores spent $439. H.I.Q. respondents who shopped hardware stores said they spent an average of $295, while their national counterparts spent $147.

Home centers came out on the low end of the spectrum for the number of times visited in the past year by national and H.I.Q. households. When asked how often they shopped at their main source for home improvement products during the past 12 months, national households who went to home centers reported 13.5 visits on the average, while the H.I.Q. group reported 20.7. H.I.Q. respondents who shopped discount or department stores said they visited those establishments an average of 22.4 times in the past year, with national households reporting an average of 18.2 visits. National households who shopped hardware stores stopped there an average of 15.1 times. H.I.Q. households who named hardware stores reported 26.5 visits.

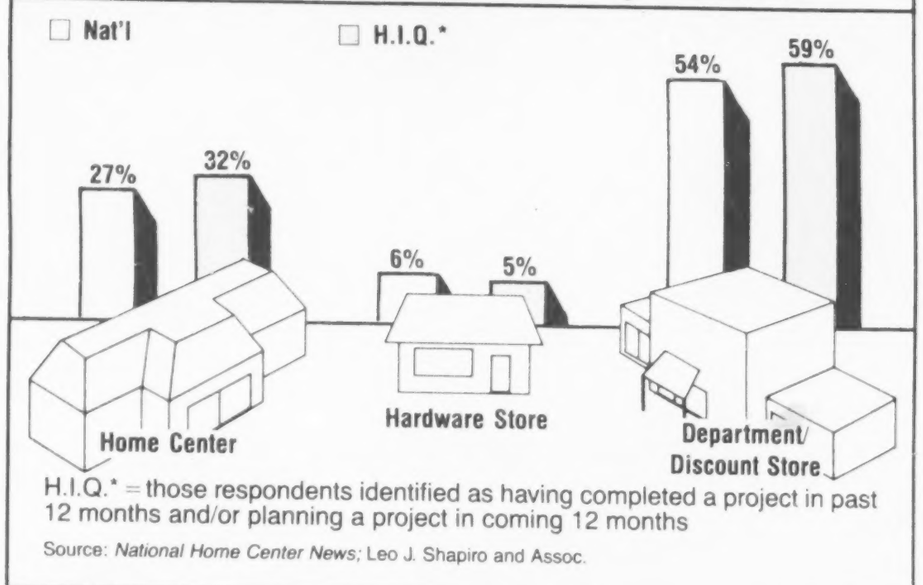
However, there seemed to be no significant difference among those who shopped primarily at home centers, department or discount stores or hardware stores when it came to the length of time since their last visit.

On the average, H.I.Q. respondents who shopped primarily at home centers said their last visit occurred 10.2 weeks before answering the survey. H.I.Q. households who shopped department or discount stores reported visiting those stores 9.8 weeks before the survey, while H.I.Q. respondents who named hardware stores visited there about 11.2 weeks prior.

National households that shop at home centers said they visited those outlets an average of 14 weeks before the survey. National respondents who named department or discount stores as their primary source for building materials reported visits 12.7 weeks prior. National hardware store consumers said they had visited there 12 weeks before the survey.

SHOPPING PROFILE:

What store comes to mind that carries all types of home improvement products?



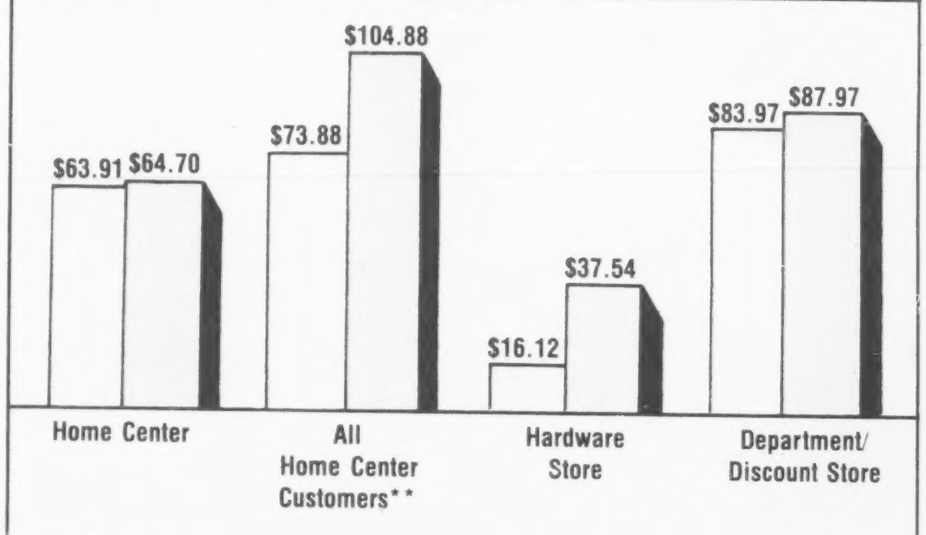
H.I.Q.* = those respondents identified as having completed a project in past 12 months and/or planning a project in coming 12 months

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

Only 27% of the nation's consumers named home centers first as the likely place to find products in 10 home improvement categories, according to a new NHCN *survey. Meanwhile, 54% named a department or discount store first, including Sears and K mart.*

SHOPPING PROFILE:

How much did you spend that day?
$ Mean Nat'l H.I.Q.*



H.I.Q.* = those respondents identified as having completed a project in past 12 months and/or planning a project in coming 12 months

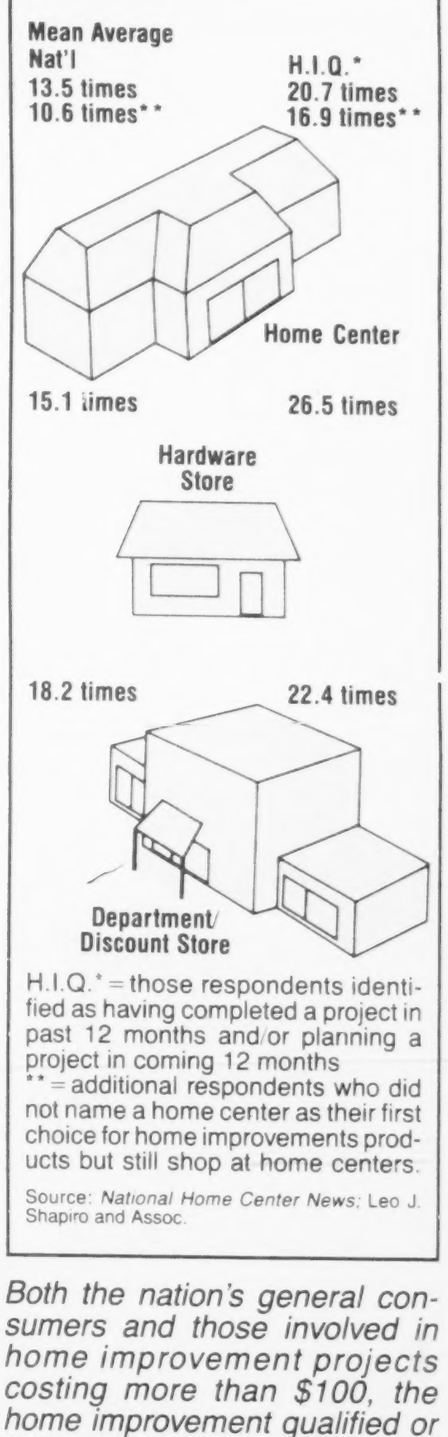
** = includes additional respondents who did not name a home center as their first choice for home improvement products but still also shop at home centers

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

Households engaged in $100-plus home improvement projects spent an average of $64.70 during their last visit to a home center. These households spent $37.54 on their last stop in a hardware store, but purchased an average of $87.97 in home improvement products at department or discount stores.

SHOPPING PROFILE:

How often have you shopped at this store in past 12 months?



H.I.Q.* = those respondents identified as having completed a project in past 12 months and/or planning a project in coming 12 months

** = additional respondents who did not name a home center as their first choice for home improvements products but still shop at home centers.

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

Both the nation's general consumers and those involved in home improvement projects costing more than $100, the home improvement qualified or H.I.Q. group, tend to shop home centers less frequently than they do hardware and department or discount stores, according to a new National Home Center News *survey. Households nationally shopped department and discount stores most often in the past year with 18.2 visits, while H.I.Q. households shopped most often—26.5 times—at hardware stores.*

27.5 million U.S. households tackling big improvements

(Continued from page 15)

able population and some of the nation's oldest homes, also has a larger percentage of its households involved in home improvement than most other regions.

Nationally, of all the households involved in home improvement, the question of whether a project is completed on a do-it-yourself basis or by a contractor seems to correlate with the kind of area in which a household lives.

Residents of rural areas are more likely to tackle a job themselves, while those in large metro locales more often hire help to complete a project.

Considering the DIY inclination region by region, the Mountain States are strongest in terms of the per cent of households that do projects themselves, 22%. Perhaps reflecting residual frontier self-reliance, this area was also strong in the per cent of households involved in home improvement, 39%.

To take a further look at the numbers then, more than 27% of the 27.5 million households that last year either completed or are now planning a project costing over $100 reside in Wisconsin, Illinois, Michigan, Indiana or Ohio—The East North Central region.

In terms of the number of actual households involved with projects there are fewer in the West North Central area, probably because population is less in these states—the Dakotas, Nebraska, Kansas, Minnesota, Iowa and Missouri.

However, almost half of the households in this region, 49%, are engaged in home improvement, which by far makes this the nation's most home improvement-oriented region based on the per cent of households fixing up their homes.

In comparison, less than one-quarter of the households in the Middle Atlantic States are improving their homes, although

(Continued on page 48)

NHCN survey examines home improvement trends

Stories and charts in this special section of *National Home Center News* are based on a survey conducted for *NHCN* by Leo J. Shapiro and Assoc., a Chicago research firm.

The survey examines America's home improvement market and probes a variety of questions such as: who is involved; what projects are being undertaken; how much is being spent; where materials are being bought; who is making the product purchasing decisions and who is doing the work.

A key part of the survey is that it views home improvement trends not only among the nation's households generally, but also among those more actively involved with fixing up their homes.

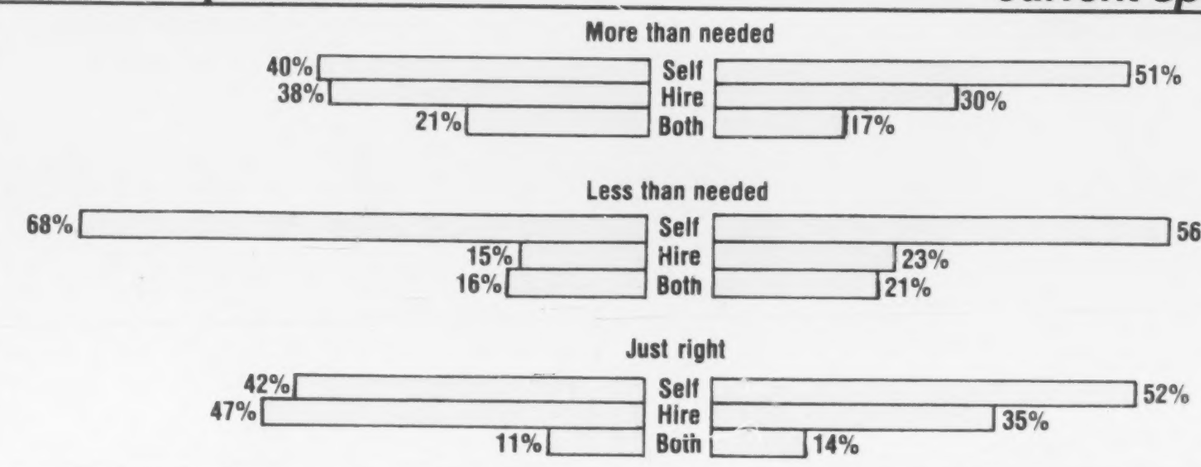
These households are referred to as the home improvement qualified or the H.I.Q. group. The group consists of those households that either spent at least $100 on a home improvement project last year or are planning to in the next 12 months.

Information for the survey was gathered in March with telephone interviews. A sample of 1,688 households was questioned and information gathered was used to determine the geographic distribution of home improvement activity across the nation.

A balanced national sample of 458 was selected and asked for detailed information about home improvement activity. At the same time, another group of 340 households was identified from the original 1,688 as having spent more than $100 on home improvement last year or as planning to in the next 12 months.

PROJECT ANALYSIS:

Who did the work?	Who will do the work?
Completed: Homes where the current space is:	***Planning: Homes where the current space is:***



TOTAL: 53% Self; 30% Hired; 17% Both	***TOTAL: 54% Self; 26% Hire; 19% Both***

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

Over half of those households involved in a $100-plus home improvement project completed or planned to do the job themselves. But DIY activity increased dramatically in homes with too little space, with nearly 1 out of 7 completing a job themselves over the past year, and 51% planning one.

NHCN's 1983 Consumer Attitude Survey

Over 70% have too much/too little living area

(Continued from page 1)

The survey also discovered that:

- Baby boomers continue to be the most active home improvement group: 54% of Americans who recently completed a project and are planning another are under age 34. Half of all those who do the work themselves are also 34 years or younger;
- Homeowners, even those who hire a contractor to complete or assist in a project, often decide where materials are bought;
- Home centers are overwhelmingly the stores America turns to for building materials, but they lag behind other retailers as the place to shop for seven out of nine hard lines categories, and also trail discount and department stores in being thought of as a one-stop shopping source;
- The nation's strongest region for home improvement activity is the Midwest, chiefly because of its population density and older housing stock.

With so many households dissatisfied with the size of their current homes—35.4% claiming they have too much space, 37.3% saying they need more—and with the high percentage of homeowners who choose to move going into single-family units, the survey indicates that additional pressure will be applied to an already-strained housing market.

But a sizable portion of the survey's respondents are deciding, instead, to fix up their homes in lieu of moving, and the study details what projects these households might undertake, and how often.

In fact, about half of those households with too little space replied that they would either "definitely," "probably" or "maybe" do something about it within the next 12 months, although there was less urgency among the households with more space; only about a quarter planned any action.

Of the 14.3 million households that have too little space and are active home improvers, more than one out of five said they would engage in remodeling, with close to 9% thinking of adding a room. Another 5% said they planned to leave the house as is.

Among the 11 million active home improvement households with more space in their homes than necessary, more than two-fifths said they would use the space differently. The choices broke down to the simple task of closing off a room—which 5% of this group said they would do—to converting a bedroom, the intention of 11% of these households. Another 3% would remodel or make the room into an apartment; 6% said they would do nothing.

It should be noted, too, that, of those households with more space, that completed a $100-plus project last year, 38% hired a contractor, indicating that these homes are occupied, at least in part, by older persons whose children have left home. The survey showed that this age group is less likely to participate in DIY activity.

In those households that considered the size of their homes just right, 52% of those planning a $100 or more project would perform the task themselves, although among the homes in which a project had been undertaken, 47% hired a contractor. What is surprising is the relatively high percentage of projects both completed, and planned among households satisfied with the size of their dwelling.

The study found that households planning a $100-plus project in the next 12 months lived in the smallest homes. These residences are most likely occupied by baby boomers who, in the future, will be even more cramped for space and will in all probability go to the expense of remodeling.

Overall, however, all households involved in a home improvement project generally had slightly larger homes than the national average. But 52% of the "most active" households—those that planned and completed a $100-plus job and were planning another—insisted they needed more room.

While the study revealed a healthy propensity among homeowners to remodel their homes, a high percentage of households said they would eventually move rather than engage in a project of $100 or more.

Among households active in home improvement that complain of too little space, 53.8% said they might choose moving as an option. To households in this group with more space, moving appeared to be a less attractive alternative to remodeling: 38.9% said they might relocate.

There was considerable disparity between the national sample of households in the survey and those involved in a home improvement project with respect to their moving plans in the next 12 months: 25% of all households said they would "definitely," "probably" or "maybe" move in the next year, but only 16% of the active home improvement group had such ideas. And, while 72% of the total homes would not move in the next year, households involved in home improvement projects manifested an even greater stake in their homes: 84%—or four-fifths of the group—said that they would "definitely not" move in the upcoming year.

The survey asked the homeowner, if he were to move, would he buy or rent, and found that, nationally, 60% would choose to buy, a figure that rises to 82% of those households involved in a $100-plus project.

(Continued on page 53)

Top home improvement projects
planned in next 12 months

Projects	% of H.I.Q.* households	% of all households nationally**
1. Paint/wallpaper	18.9%	4.1%
2. Kitchen remodeling	17.0	3.9
3. Bath remodeling	16.5	4.8
4. Adding a room	15.6	2.2
5. Tile/flooring	12.3	3.7
6. Carpeting	8.5	1.5
7. Adding porch/patio/deck	8.0	1.7
8. Garage/basement remodeling	6.6	1.1
9. Countertops/cabinets	6.1	0.9
10. Replacing plumbing	5.7	1.5
11. Room remodeling	4.2	1.1
12. Paneling	3.8	0.9
13. Windows/doors/siding	2.8	0.4
14. New ceilings/walls	2.4	1.1
15. Adding garage/shed	1.9	0.7
16. Insulation	1.9	0.4
17. Heating/ventilation	1.4	0.4
18. New roof	1.4	0.2
19. Wiring	1.4	—
20. Remodeling whole house	0.5	0.2

*H.I.Q. = those respondents identified as having completed a project in past 12 months and/or planning a project in coming 12 months
**1% = 835,000 households
— = Insufficient data

Source: National Home Center News; Leo J. Shapiro and Assoc.

Over 5 million of the 27.5 million households projected to be involved in a home improvement job of $100 or more said they planned to paint or wallpaper a room in the next 12 months, whereas nationally, the highest percentage of households said they planned to remodel a bathroom.

Home improvers tend to be more affluent

Compared to the average household nationwide, the typical home in which an improvement project has been completed or is being planned is likely to be more affluent, more highly skilled and occupied by more than one wage earner, according to a new survey by *National Home Center News*.

Over 65% of households that spent $100 or more on a home improvement project last year or plan one in the next 12 months have incomes exceeding $20,000. In comparison, only 52.2% of America's 83.5 million households achieve that.

Nearly 15% of the households involved in home improvement have incomes over $40,000. On the other hand, almost half of all households nationally have incomes of $15,000 or less, whereas among those involved in home improvement, that figure is only 37.5%.

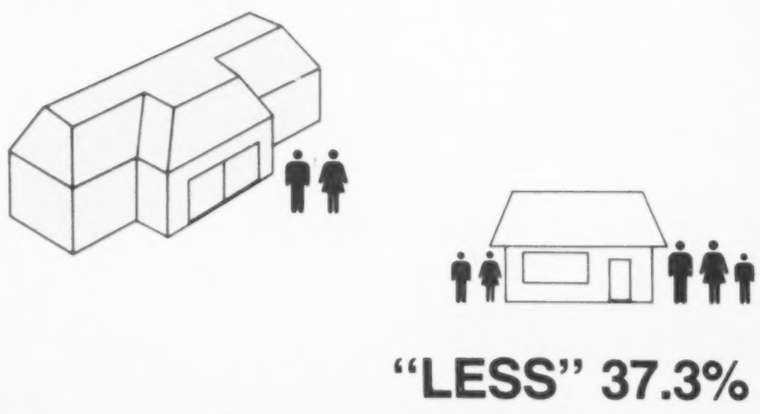
When viewed from another perspective, the survey's findings show that while the combined household income of all homes averages $23,200, the income of households involved in home improvement projects is about 16% higher, or $26,900.

Within this specified group, the highest-income households are likely to hire a contractor to complete at least part of a project. Also, these households have not only done the work themselves, but are in the process of beginning another job.

The average household income among those DIYers who

(Continued on page 44)

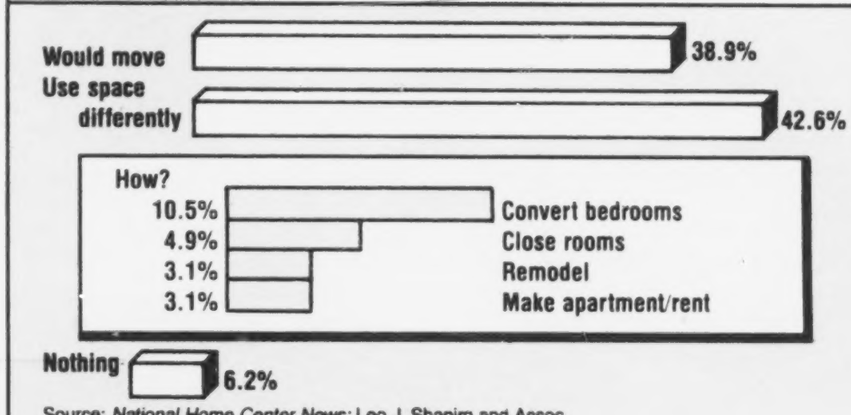
CONSUMER PROFILE:
Do you have more or less space than you need?



Source: *National Home Center News*; Leo J. Shapiro and Assoc.

"Mismatched" households—those with either too much space or not enough—account for 72.7% of the total nationwide and are major prospects for home remodeling and refurbishing.

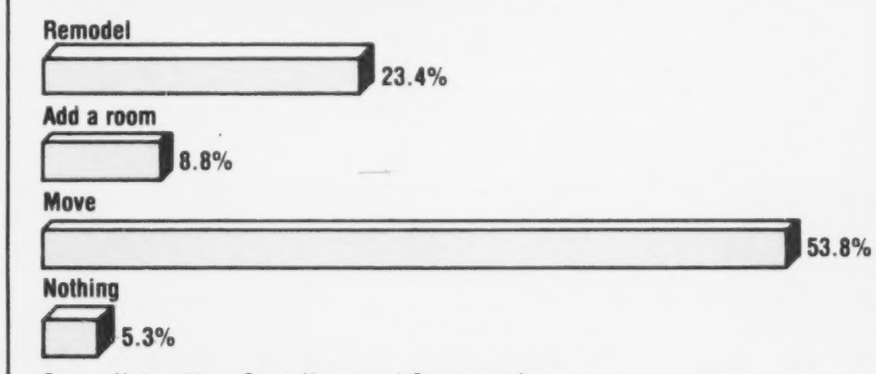
CONSUMER PROFILE:
If more, what might you do?



Source: *National Home Center News*; Leo J. Shapiro and Assoc.

The depression generation (45 years or older), which makes up 60% of the households with too much space, exhibited less urgency to move out of their homes. But 43% of the active home improvement households with more area than needed plan to use their home space differently.

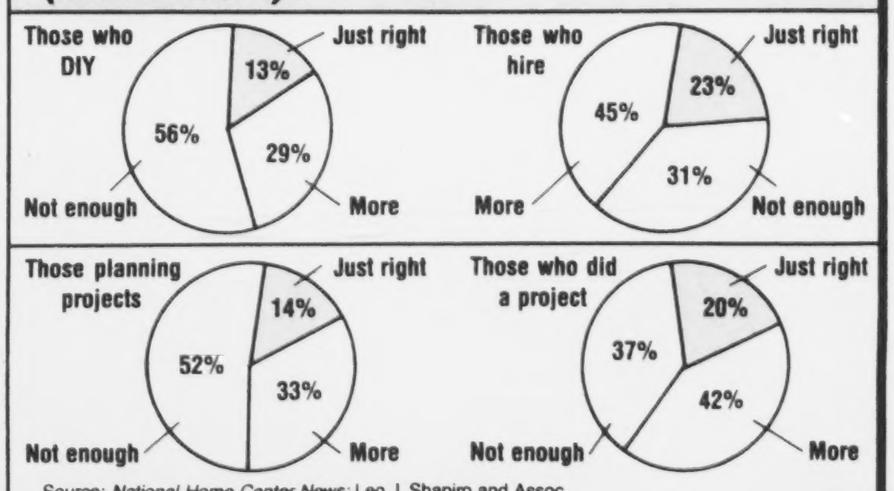
CONSUMER PROFILE:
If less, what might you do?



Source: *National Home Center News*; Leo J. Shapiro and Assoc.

Baby boomers, who are proven DIYers, account for 63% of the households that don't have sufficient space, which explains why nearly 25% of households involved in home improvement projects would remodel their homes to gain space.

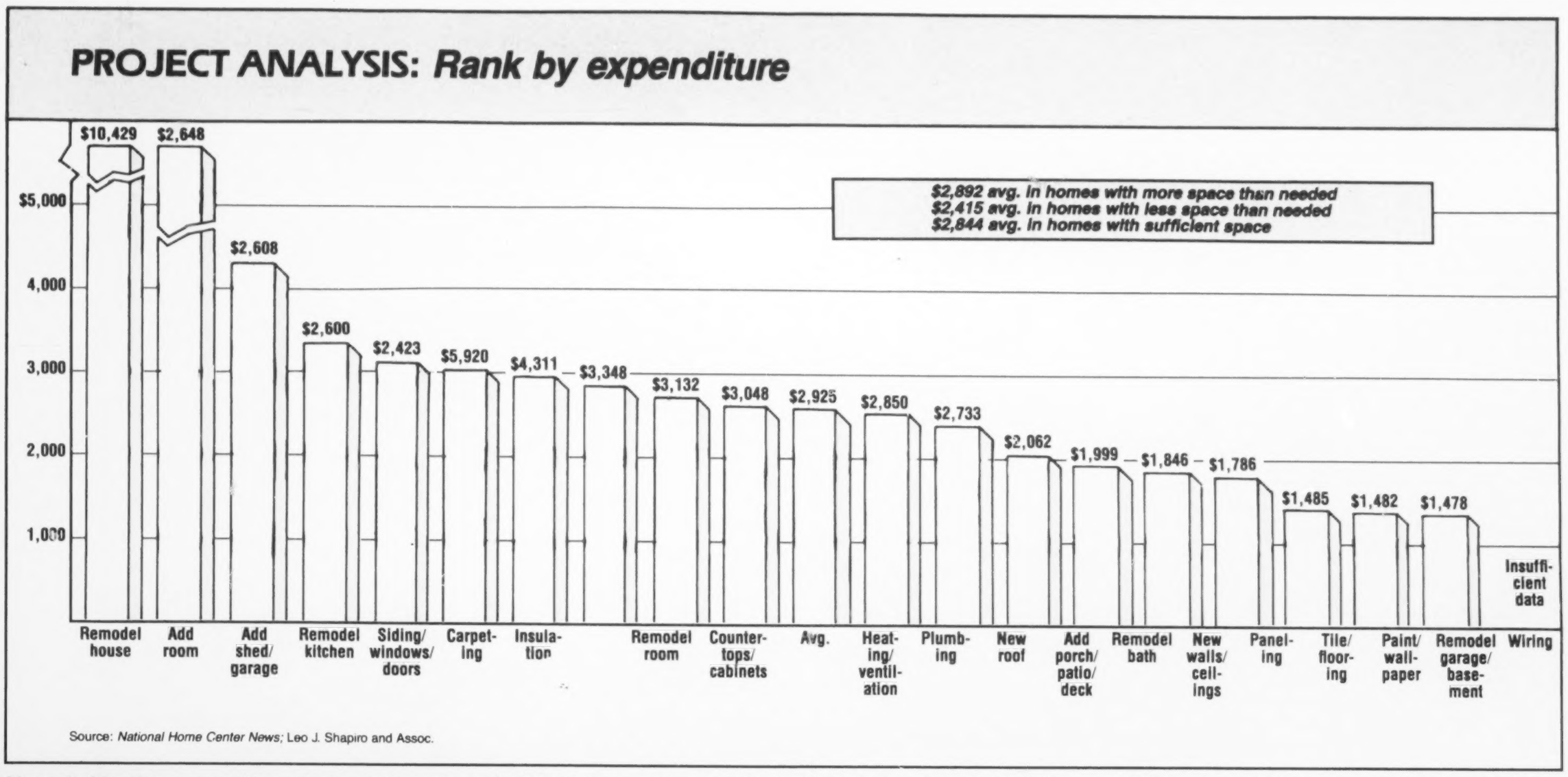
CONSUMER PROFILE:
More or less space than needed (breakdown)?



Source: *National Home Center News*; Leo J. Shapiro and Assoc.

Households with more than enough space tend to be those that actually accomplished projects, often with profesional help. Those with less space are more likely to be planning a project to do themselves. The difference in household profile may be that those with more space are older and more affluent, while the reverse is true of the group with less space.

NHCN's 1983 Consumer Attitude Survey



Households who engaged in projects costing at least $100 last year spent an average of $10,429 to remodel their homes, $2,850 to remodel a room and $1,482 to paint or wallpaper a room.

25% of active home improvers spent between $2,000-$5,000

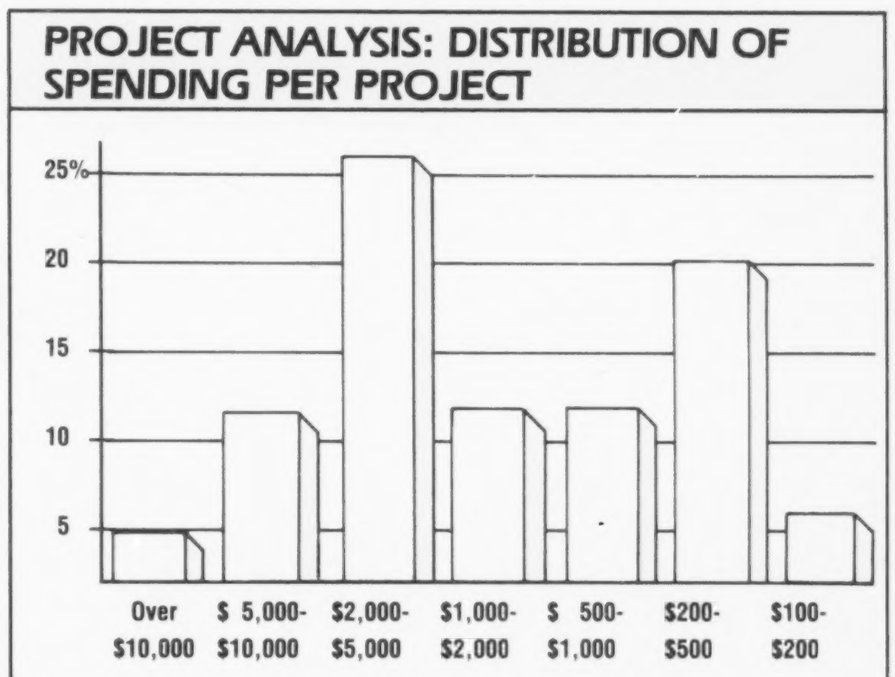
Of those households involved in home improvement projects of over $100, the home improvement qualified or H.I.Q. group, over 25% last year spent between $2,000 and $5,000 on such projects, according to a new *National Home Center News* consumer attitude survey.

About 20% spent between $200 and $500, making it the second most popular expenditure category among members of the H.I.Q. group.

About 5% spent $10,000 or more on a project. Over half the projects were under $2,000.

The average household that completed a project last year in the H.I.Q. group spent $2,648. Households with "more space" than needed spent $477 more per project than households having "less space than needed." Households where space was "just right" spent well above the average household, indicating that the project they completed had given them the space they wanted or that home improvements can still be sizable even when space considerations are not a problem.

While remodeling a house or remodeling a room represented the largest expenditures among members of the H.I.Q. group, over $3,000 on average was spent to add a shed or garage, remodel a kitchen, apply siding or install windows or carpeting.



Over 25% of households involved in $100-plus improvement projects spent between $2,000-$5,000 on such projects last year.

Kitchen remodeling: Top big ticket item

Kitchen remodeling ranked as the most popular project completed last year by households tackling a home improvement project of $100 or more. An estimated 2.4 million of all households nationally completed a kitchen renovation last year.

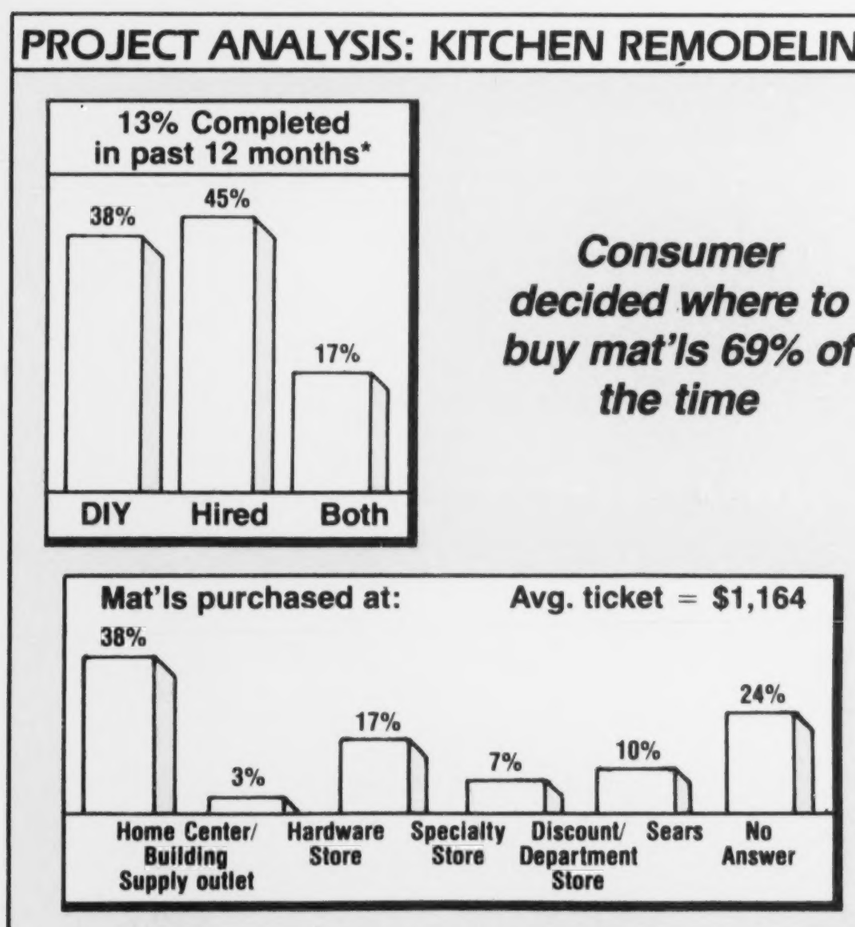
Moreover, interest in this category is clearly on the increase with 3.2 million households planning to improve their kitchens in the coming year, according to a nationwide survey conducted for *National Home Center News* by Leo J. Shapiro and Associates, Chicago.

Consumers initially perceive of a kitchen project as largely do-it-yourself. About 58% of those who plan to undertake the project this year say they will do it all on their own while only 22% say they will hire an outside contractor to do everything. In contrast, last year only 38% of those finishing a kitchen project did it all themselves while 45% hired an outside contractor to do everything.

However, of those finishing the project last year, consumers made the decision where to buy the materials 69% of the time even though only 55% did all or part of the work themselves. The finding indicates an increasingly important role now played by the "buy-it-yourselfer," the consumer who feels a project is too big for him to handle alone but knows what products he wants and where to go for the best value.

Home centers were chosen as the source for the bulk of materials by 38% of those who finished this project. However, specialty stores attracted 17% of these remodelers as primary materials source.

On average, those who completed a kitchen remodeling project last year spent $3,348 altogether, and $1,164 at the primary store where they bought their materials. The difference indicated that even with the cost of labor factored out, consumers are not spending all their money at one store—purchasing some parts of their material list at other stores.



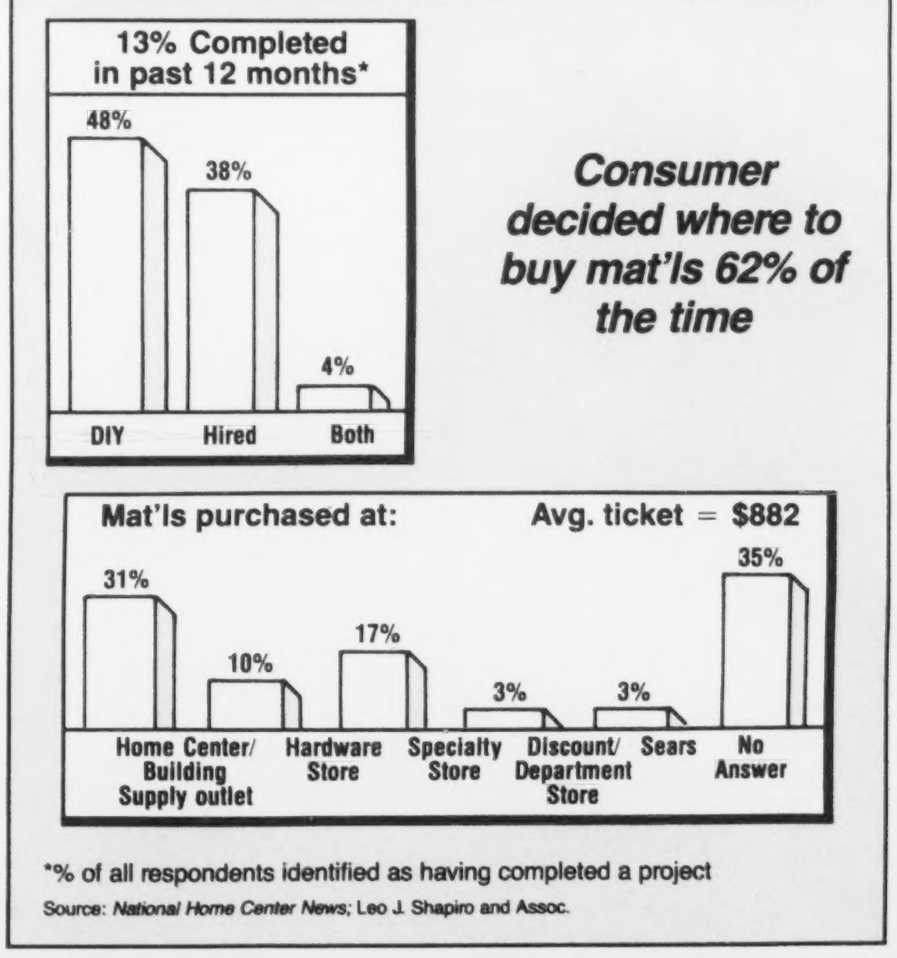
An estimated 3.2 million households plan to improve their kitchens during the coming year, a dramatic increase over the 2.4 million households completing such a project last year.

Bath remodeling on the rise

An estimated four million households plan to remodel their bathrooms over the coming year—a dramatic increase over the less than 1.7 million that did so during the last 12 months.

Among households planning a major project this year who

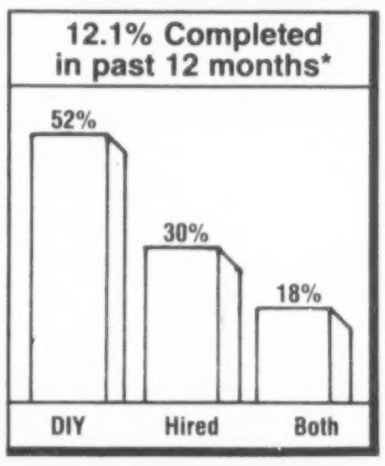
(Continued on page 24)



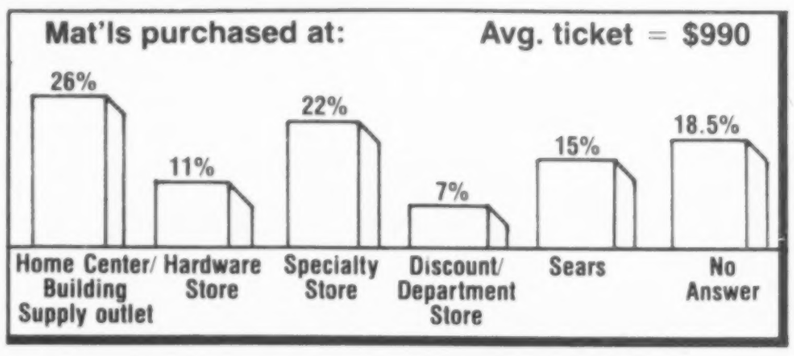
An increasing number of households plan to improve their bathrooms, and say they will spend an average of $3,342.

NHCN's 1983 Consumer Attitude Survey

PROJECT ANALYSIS: WALLPAPER/PAINT



Consumer decided where to buy mat'ls 82% of the time



*% of all respondents identified as having completed a project

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

Over 2.7 million households applied wallpaper or paint last year. Homeowners, not professionals, chose where to buy materials 82% of the time and often selected home centers, although specialty stores offered strong competition.

Wallpaper/paint: Most popular project

Wallpapering and painting, together, was the No. 1 home improvement project in the United States last year and the third most frequently tackled home improvement project among households spending $100 or more per project. Over 2.7 million households nationally completed the project last year; another 3.4 million plan to do so during 1983, according to a *National Home Center News* survey.

Among households spending $100 or more on the project last year 52% did all the work on their own. A little under a third of these households hired someone else to do all the work. One out of five did some of the work and had a contractor do the rest.

Among households planning a major project this year, 62% plan to do all the paint/wallpaper work themselves while fewer than 1 out of 5 expect to hire a contractor to do it all for them.

Home centers face a challenge in not only maintaining, but also increasing their market share of these categories. Although consumers decided where to buy paint and wallpaper 82% of the time, they selected home centers as primary source only about a fourth of the time. And the percentage would most likely be even lower if paint were considered alone, where specialty stores and Sears tend to dominate.

The importance of turning attention to these categories is reinforced by the fact that the average ticket price for materials purchased at the primary retailer for such projects is a little under a thousand dollars, including all materials purchased during a paint/wallpaper project.

Average project cost for completed jobs was $1,500. Those who plan such projects thought they would spend $2,000 on the average.

Home centers win patio/deck derby

Home centers were clearly the winners in the porch-patio-deck sweepstakes as over two-thirds of such projects were built with materials purchased there as the primary source of supply. A full 4 out of 5 households undertaking such projects decided on their own where to buy the bulk of their materials, and spent an average ticket of $1,229 at their chosen retailer, even though a little less than half did all the work on their own, a *National Home Center News* survey found.

Over 1.8 million of all households nationally completed one of these projects last year.

Of those consumers who completed a job in these categories, 44% did the work themselves while 36% hired professionals to do the job. Another 20% had hired help to do part of the work.

Among those planning a project in the coming year, 47% plan to do all the work themselves, and only 18% plan to hire an outsider to do all the work. About a third of the consumers studied plan to hire a contractor to do part of the work.

The average ticket price for improvements in the categories of porches, patios and decks was $2,000 last year. Those who plan to undertake these projects in the coming year expect to spend about the same amount of money.

Many remodeled rooms themselves

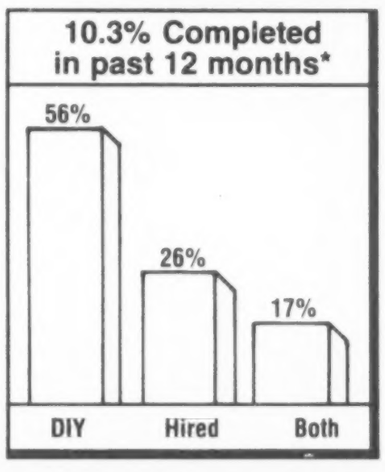
The potential for satisfying a need for creativity and a pride of achievement encouraged 56% of those tackling a major room remodeling project last year to do all the work themselves. Moreover, 78% of those planning to remodel a room say they will do it on their own in 1983.

Of those involved in a room remodeling project costing $100 or more, only 1 out of 4 households hired a contractor to do all the work for them last year, according to a *National Home Center News* study. Only 1 of 10 planning to remodel a room this year, however, say they will get an outsider to do all the work.

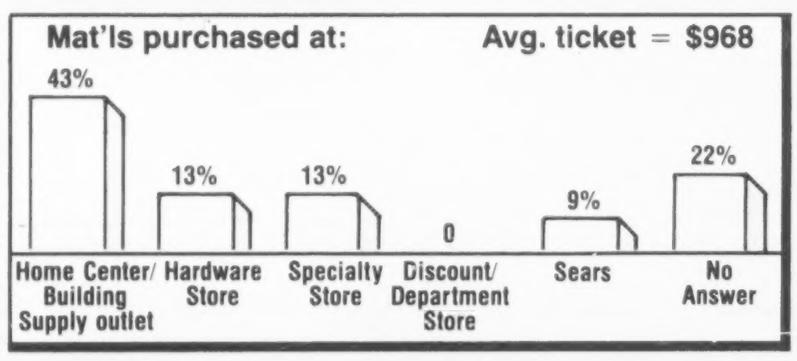
Nearly one million of all households nationally undertook remodeling a room last year and an equal number will do so this year.

The consumer decides where to buy his materials 74% of the time. Home centers are clearly the retailer of choice, reflecting their comprehensive selection of goods across many categories. They were selected as primary source for materials 43% of the time among households completing the project last year with hardware stores and specialty shops coming in a distant second at 13% each.

PROJECT ANALYSIS: REMODEL ROOM



Consumer decided where to buy mat'ls 74% of the time

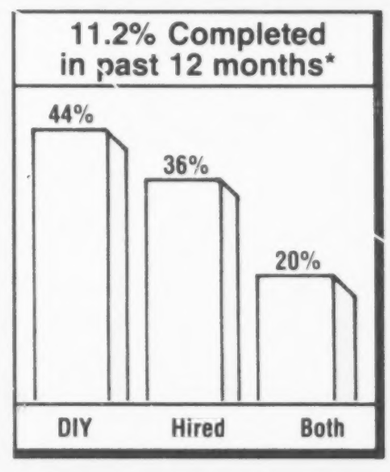


*% of all respondents identified as having completed a project

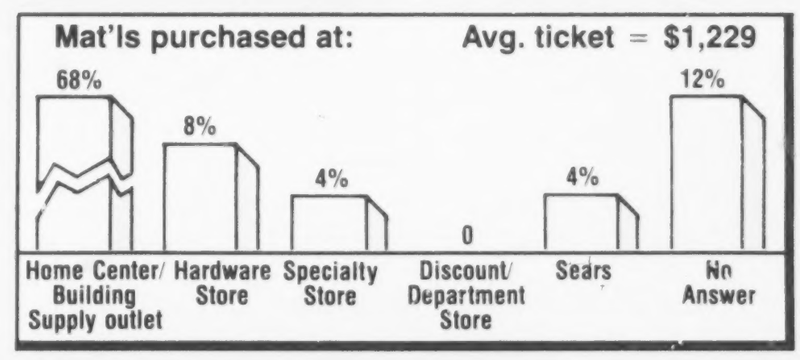
Source: *National Home Center News;* Leo J. Shapiro and Assoc.

When remodeling rooms, Americans do it themselves more than half the time. A plurality, or 43%, of those who completed room remodeling projects bought their materials at home centers.

PROJECT ANALYSIS: ADDED PORCH/ PATIO/DECK



Consumer decided where to buy mat'ls 80% of the time

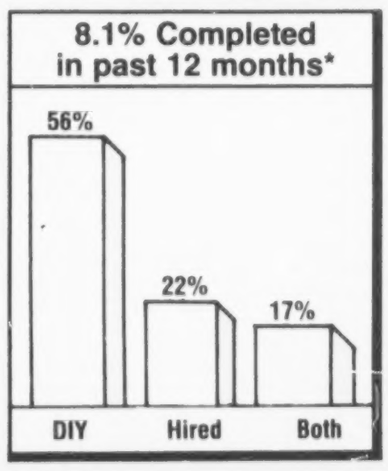


*% of all respondents identified as having completed a project

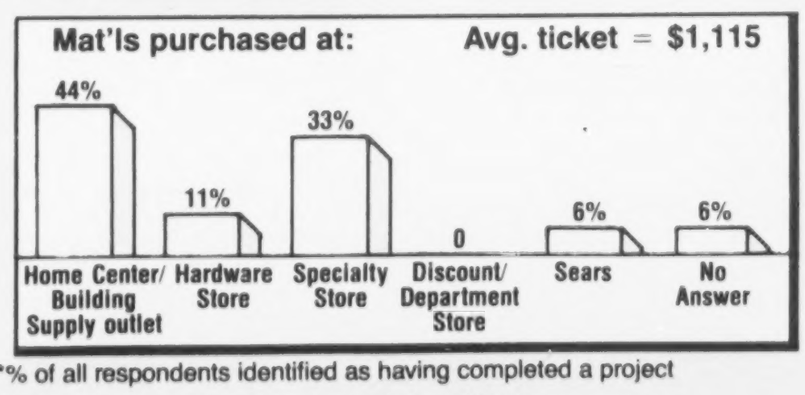
Source: *National Home Center News;* Leo J. Shapiro and Assoc.

While only 44% of consumers who last year spent more than $100 on porch, deck or patio improvements did all the work on their own, 80% decided where to get the materials.

PROJECT ANALYSIS: TILE/FLOORING



Consumer decided where to buy mat'ls 82% of the time



*% of all respondents identified as having completed a project

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

Specialty stores: Strong flooring source

As is the case with wallpaper and paint, consumers look upon specialty stores as strong tile and flooring sources.

Last year, 33% of those completing major tile and flooring projects of $100 or more bought their merchandise primarily from specialty retailers, a study by *National Home Center News* found.

While hardware stores, Sears and other outlets attracted minimal business, home centers accounted for 44% of selections. Consumers decided where to go for materials 82% of the time, although they did the work completely by themselves only 56% of the time.

About 1 out of 5 households among those involved in a project of $100 or more (the home improvement qualified, or H.I.Q. group) either completed flooring projects last year or plan to do so this year. That was about a third fewer than the number undertaking wallpaper and paint projects.

Among those who completed the project last year, 56% did the job on their own. This compares with 22% who hired an outside contractor to do all the work. Of those planning the projects, 35% plan to hire a contractor to do the work while half plan to do all the work themselves.

The average job cost last year was $1,485.

While the average ticket price for tile and flooring purchases is $1,115, home centers face stiff competition from specialty stores as sources of materials.

Bath remodeling on the rise

(Continued from page 22)

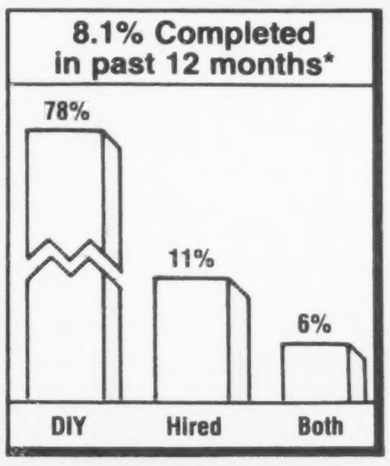
specified plans to remodel a bathroom, 60% plan to do all of the bath remodeling themselves, while a little less than half of those who completed such a project last year actually did everything themselves. Professional help was hired to do all the work for 38% of bathroom remodeling projects last year, and to do part of the work in another 14% of the jobs, a *National Home Center News* survey showed.

Those planning bathroom remodeling are more ambitious concerning what they will spend than those who did so last year. The former group plans to spend an average of over $3,300 while those who completed the projects spent an average of $2,000.

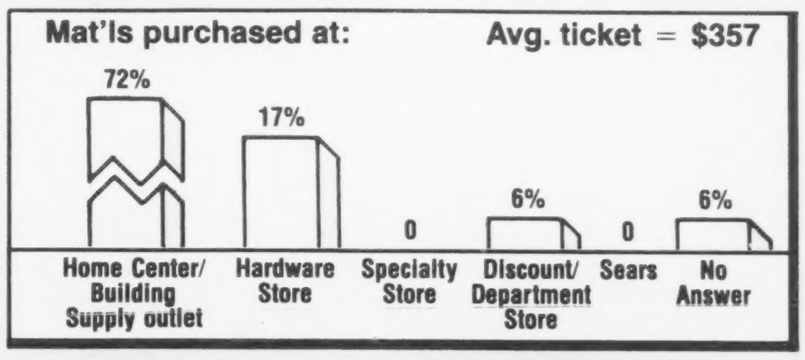
Home centers and building supply outlets were cited as the primary source for materials 31% of the time followed by specialty stores, 17%, and hardware stores, 10%.

NHCN's 1983 Consumer Attitude Survey

PROJECT ANALYSIS: REMODEL GARAGE/BASEMENT



Consumer decided where to buy mat'ls 82% of the time

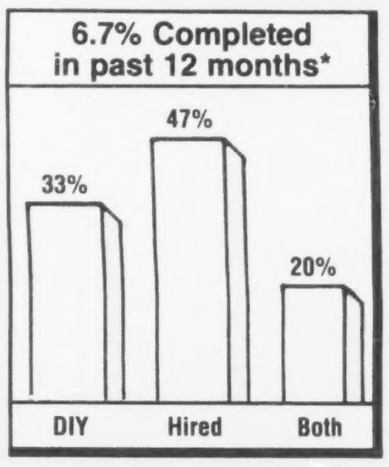


*% of all respondents identified as having completed a project

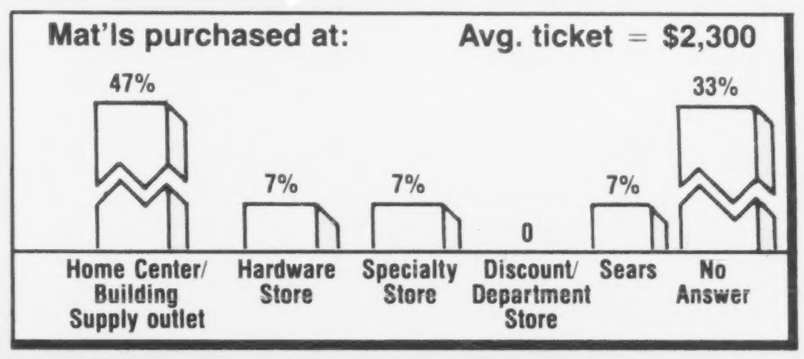
Source: *National Home Center News;* Leo J. Shapiro and Assoc.

Consumers perceive remodeling garages and basements as a do-it-yourself project. The overwhelming majority of those who completed projects of over $100 chose home centers as their source.

PROJECT ANALYSIS: NEW WINDOWS/ DOORS/SIDING



Consumer decided where to buy mat'ls 67% of the time



*% of all respondents identified as having completed a project

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

While only 33% of the consumers spending over $100 on window, door or siding projects last year did the work themselves, 67% decided where to buy the materials.

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Basement and garage projects seen as DIY . . .

Homeowners perceive garage and basement remodeling projects as jobs to be done without the help of outside contractors.

Last year nearly 4 out of 5 completed such projects entirely on their own, while 3 out of 5 who plan to undertake such projects this year say they will not hire outside help.

And of those 2 out of 5 who will use outside help, most say they will accomplish some of the work themselves anyhow, according to a study by *National Home Center News.*

Over 8% of households involved in a project costing $100 or more (the home improvement qualified, or H.I.Q. group) completed a basement-garage project last year, while another 7% plan to do so this year. On a national basis, for all households it is estimated 752,000 homes completed the project last year and 919,000 more will undertake it this year, although the projects nationally may not be as extensive as those registered by H.I.Q. households.

About 82% of the H.I.Q. group undertaking projects in these categories decided where to go for the majority of their materials, which means that even in some instances where contractors were involved, homeowners made the buying decisions. Once again, the primary source turned out to be home centers, where 72% of the consumers went for their first source of materials, spending an average of $357 each.

On the other hand, these same homeowners spent an average of $1,478 for the projects. Given the high incidence of do-it-yourself projects, this indicates that the consumers also visited other stores to pick up materials for the renovations.

. . . but shoppers hire contractors for doors/siding

Once faced with the technical expertise often necessary to install windows, doors and siding, consumers generally turn to outside contractors to do the job, according to a new survey by *National Home Center News.*

Last year, 47% of those undertaking such projects (costing $100 or more) had outsiders do the work completely, while another 20% hired contractors to do at least some of the work. Significantly, however, in two-thirds of the projects, the consumer—not the contractor—decided where to go for materials.

Despite the relatively low proportion of households actually completing such projects, the jobs are still perceived initially as do-it-yourself projects. Of those planning to undertake the work this year, half say they will do it themselves while only 33% say they will have a contractor do all the work.

The average project price last year was a little over $3,000 while those who plan to get involved this year say they'll spend close to twice that amount.

Home centers clearly remained in the lead in the race for the consumer buck in these categories.

Householders spent an average of $2,300 at the primary source for materials which, in 47% of the cases, was a home center.

NHCN's 1983 Consumer Attitude Survey

Shoppers prefer home centers as source for building supplies

NATIONAL REPORT—A clear majority of consumers prefer to buy their building supplies at home centers rather than at any other type retailer, according to the results of a survey conducted for *National Home Center News* by Leo J. Shapiro and Associates, Chicago.

Over 64% of the general public said they preferred to go to home centers for building supplies. Close to 30% said they preferred to buy hardware items at home centers. Other categories with strong showings at such stores were electrical supplies at 25%, plumbing supplies at 24% and security hardware at 22%.

Of those households that either completed last year or plan to undertake this year a home improvement project of over $100, (the home improvement qualified or H.I.Q. group), close to 76% said home centers were their preferred source for building materials. Among DIYers the level of preference rose to 80%. Over 37% picked home centers as their No. 1 source for hardware and 30% said they would prefer to buy electrical supplies at home centers.

Home centers were somewhat less popular as preferred stores for buying power tools, paint, floor coverings, and heating and air-conditioning equipment. Less than 20% of the general public interviewed said they preferred to buy this merchandise at home centers.

When asked where they preferred to purchase hardware, consumers picked hardware stores 38% of the time, a clear plurality. Such stores were also about as popular as home centers for consumers seeking electrical supplies, plumbing products and hand tools. Over 20% of the consumers surveyed picked hardware stores as their preferred source for such merchandise.

Although hardware stores made a strong showing in security products, they were not quite as popular a source for these as were home centers, where 22% of the public said it preferred to buy these products. And hardware stores were weak in the categories of power tools, paint, building supplies, heating and air-conditioning equipment and floor coverings.

An overwhelming plurality of consumers surveyed, 36%, said they would go to Sears for power tools. Hand tools were also more popular at Sears than any other category of retailer, although home centers and hardware stores were not far behind.

Although Sears also made a strong showing as one of the favorite stores for house paint, it was selected much less often as the preferred sources for other categories of products.

K mart, as well as other discount stores, were mentioned less than 10% of the time by consumers when asked where they would buy merchandise in any of the 10 categories in the survey.

Specialty stores, on the other hand, were mentioned by consumers much more often than any other type retailer as the preferred source for floor coverings. They also were the preferred source for paint and heating and air-conditioning equipment.

Specialty stores were not favored to any extent as preferred sources for merchandise in the other categories covered by the survey.

Building supplies —

When asked where they would prefer to buy building materials such as lumber, paneling and insulation, over 64% of people nationally said that home centers were their retailers of choice.

Moreover, close to 76% of those undertaking a home improvement project of over $100 (the H.I.Q. group) responded to the survey by saying they would prefer to buy building materials at home centers.

That home centers have become closely identified in the public mind with building supplies is reinforced by the fact that no other category of store came within shouting distance.

For example, less than 7% of both the general public and the H.I.Q. group said they would prefer to shop at hardware stores for such merchandise. Neither specialty stores nor Sears was chosen by more than 3% of the people responding.

Home centers, it seems, have established an even higher profile as building materials sources among those people who get involved in DIY projects. About 80% of the DIYers in the H.I.Q. group stated home centers were their preferred source of building supplies compared with 69% of those H.I.Q. householders who hired outside help to undertake home improvement projects.

Indeed, other type outlets for building supplies were favored more by those who hired or will hire contractors to do projects than by DIYers. Close to 8% of the former group preferred to buy building supplies at hardware stores, for example, compared with only 5% of the DIYers.

Responding to questions in the survey, the general public cited "selection of brands carried" as the most important reason for selecting their preferred retailer, while "lower prices" was the second.

(Continued on page 30)

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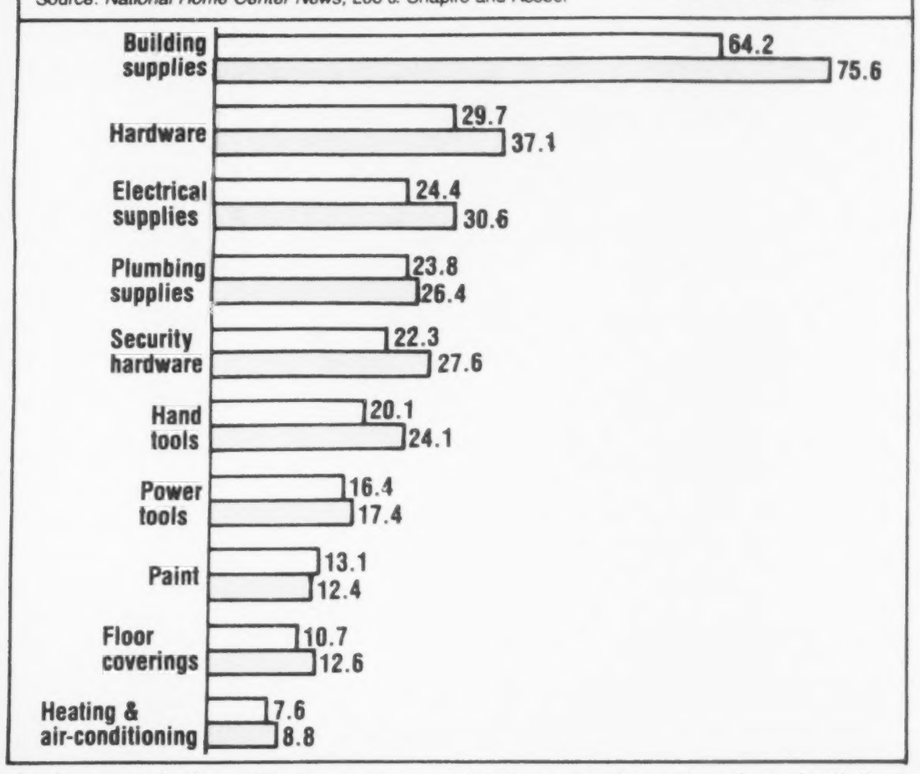
Entry Deadline—July 15, 1983

SHOPPING PROFILE:

% of households that chose home centers for home improvement materials

Source: *National Home Center News;* Leo J. Shapiro and Assoc.



A clear majority of consumers said they preferred to buy building materials at home centers.

NHCN's 1983 Consumer Attitude Survey

Consumers think home centers when they need building supplies

(Continued from page 29)

For members of the H.I.Q. group, the priorities were reversed. "Lower prices" was the most important reason, followed by "selection of brands."

In descending order of importance, other reasons cited for selecting preferred stores were: close or convenient location, quality of goods, and a habit of shopping at the store.

Very few respondents cited reputation, good service, the establishment of an account, warranties, or Sunday hours as compelling reasons for choosing a retailer for building supplies.

Those members of the H.I.Q. group who were DIYers cited "lower prices" as the primary reason for selecting a retailer, with "brand selection" close behind.

For those H.I.Q. households who hired out their projects to contractors, the priorities were once again reversed, with brand selection holding an edge over price. Moreover, these households perceived "close location" as more important than did the DIYers.

Hardware

Of the general public responding to the survey, over 38%, a plurality, said they preferred to buy hardware items such as screws, nails and hinges at hardware stores.

Home centers, preferred by 30% of the public nationwide, represented the second most popular retail category for hardware items.

No other store category in the survey was chosen as preferred hardware retailer by more than 8% of the responding public. And that figure was achieved only by Sears.

Members of the H.I.Q. group said they preferred hardware stores as their hardware source to an even greater extent, selecting that retail category 42% of the time. They selected home centers 37% of the time, a figure much higher than that of the general public.

The H.I.Q. group also preferred other type stores for hardware less often than did the general public. That discount stores were the sole exception may reflect a price interest on the part of those involved in home improvement projects.

Within the H.I.Q. group, home centers as preferred hardware sources were chosen more often by DIYers than by those who hire outside help. The reverse held for hardware stores.

According to the results of the survey, the general public said "convenient location" was the most important reason for selecting their preferred retailer, and that "brand selection" was nearly as important.

For members of the H.I.Q. group, the priorities of those two criteria were reversed, as brand selection topped the list.

Both the general public and the H.I.Q. groups cited "lower prices" as the third most important reason. As a criterion for the selection of a store, price has considerably less impact in the category of hardware than it does in the category of building materials, the survey showed.

Within the H.I.Q. group, the availability of lower priced hardware held more clout for the DIYers than for those who hired outside contractors. The latter group found convenient location more important than did the DIYers.

Electrical supplies —

When asked where they preferred to buy electrical supplies, the general public cited hardware stores 28% of the time. They cited home centers 25% of the time, making such stores the second most popular selection.

A plurality of the H.I.Q. group, or 32%, selected hardware stores as their preferred source of electrical supplies. Again, home centers were not far behind as 31% of the respondents preferred them.

No significant differences emerged between preferences of DIYers and those who hire outside help.

However, 36% of those who accomplished a home improvement project of over $100 last year preferred to buy electrical supplies at hardware stores, while only 26% of them preferred home centers. Of those who are planning a project in the coming year, 33% prefer to buy electrical supplies at home centers while only 30% said they would prefer to buy them at hardware stores.

The general public cited brand selection as the most important reason for deciding where to buy electrical supplies, while convenient location was the third most important reason.

While members of the H.I.Q. group agreed that brand selection was the most compelling reason for selecting an outlet for electrical supplies, for them lower prices was the second

(Continued on page 38)

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NHCN's 1983 Consumer Attitude Survey

Where do consumers shop?

(Continued from page 30)

most important reason while convenient location placed third.

Within the H.I.Q. group, DIYers cited lower prices more often than did those who hire contractors, while the latter group said convenient location was important more often than did DIYers.

Plumbing supplies —

In response to the survey, 24% of the general public said they would prefer to buy plumbing supplies at home centers while 23% preferred hardware stores. Third in popularity were specialty stores, where 17% of the general public said they would prefer to shop for such merchandise.

Responses from members of the H.I.Q. group were not appreciably different. About 27% of them said they would prefer to buy plumbing supplies at home centers, while 25% picked hardware stores and 19% selected specialty stores.

Within the H.I.Q. group, 27% of DIYers said they would prefer to buy plumbing supplies at hardware stores while 25% said home centers. Of those who hired outside contractors, 26% preferred home centers while 19% selected hardware stores.

"Lower prices" was the most compelling reason for selecting a source of plumbing supplies by respondents in the survey, whether they were general public or members of the H.I.Q. group. "Brand selection" and "convenient location" followed closely as second and third most important criteria.

Considerations of quality, familiarity with store, good service and reputation were far less important as reasons for shopping at a store for plumbing supplies.

Within the H.I.Q. group, DIYers once again exhibited a greater interest in price than did the households who hire outside contractors.

Security hardware —

Of the general public responding to the survey, over 22%, a plurality, said they preferred to buy security hardware like locks, alarm systems and smoke detectors at home centers.

After hardware stores, which ran close behind at 20%, other store categories in the survey proved less popular as sources of security hardware. Sears, the preferred choice of 13% of the respondents nationally, made the best showing among them.

Members of the H.I.Q. group said they were even more "secure" at home centers than the public in general. Close to 28% of households involved in large projects preferred such stores as security hardware sources, while 21% preferred hardware stores. While close to 14% preferred Sears, other stores in the survey fared badly.

Home centers proved somewhat more popular with DIYers in the H.I.Q. group than with those who hire contractors as did hardware stores.

Households hiring contractors overwhelmingly selected Sears as preferred source more often than did DIYers; 19% of the former chose Sears compared to 10% of the latter.

Reasons for selecting the preferred retailer for security hardware followed a pattern not unlike that of other categories of merchandise. The public nationally said that brand selection was the most important criterion, with lower price in second place.

However, members of the H.I.Q. group said lower price was easily the most important reason, followed by brand selection.

Both groups chose convenient location as third in importance, while quality was a distant fourth.

Again, DIYers found price far more important than did those who hire contractors, while the latter group found convenient location far more important than did DIYers.

Hand tools

The survey showed that Sears was clearly the front-runner in the race for the hand tool market.

The general public chose Sears as their preferred hand tool source 28% of the time, hardware stores 23% of the time and home centers 20% of the time. No other category of store was selected more than 10% of the time.

Members of the H.I.Q. group chose Sears 29% of the time and hardware stores 25% of the time. Home centers were selected as sources of hand tools 24% of the time by this group.

Within the H.I.Q. group, those who whire help preferred hardware stores more often than DIYers, while the latter group chose Sears more often than those who hire outsiders.

The general public ranked lower prices as the most important reason for selecting a store to buy hand tools. In descending order of importance were brand selection, convenient location and quality.

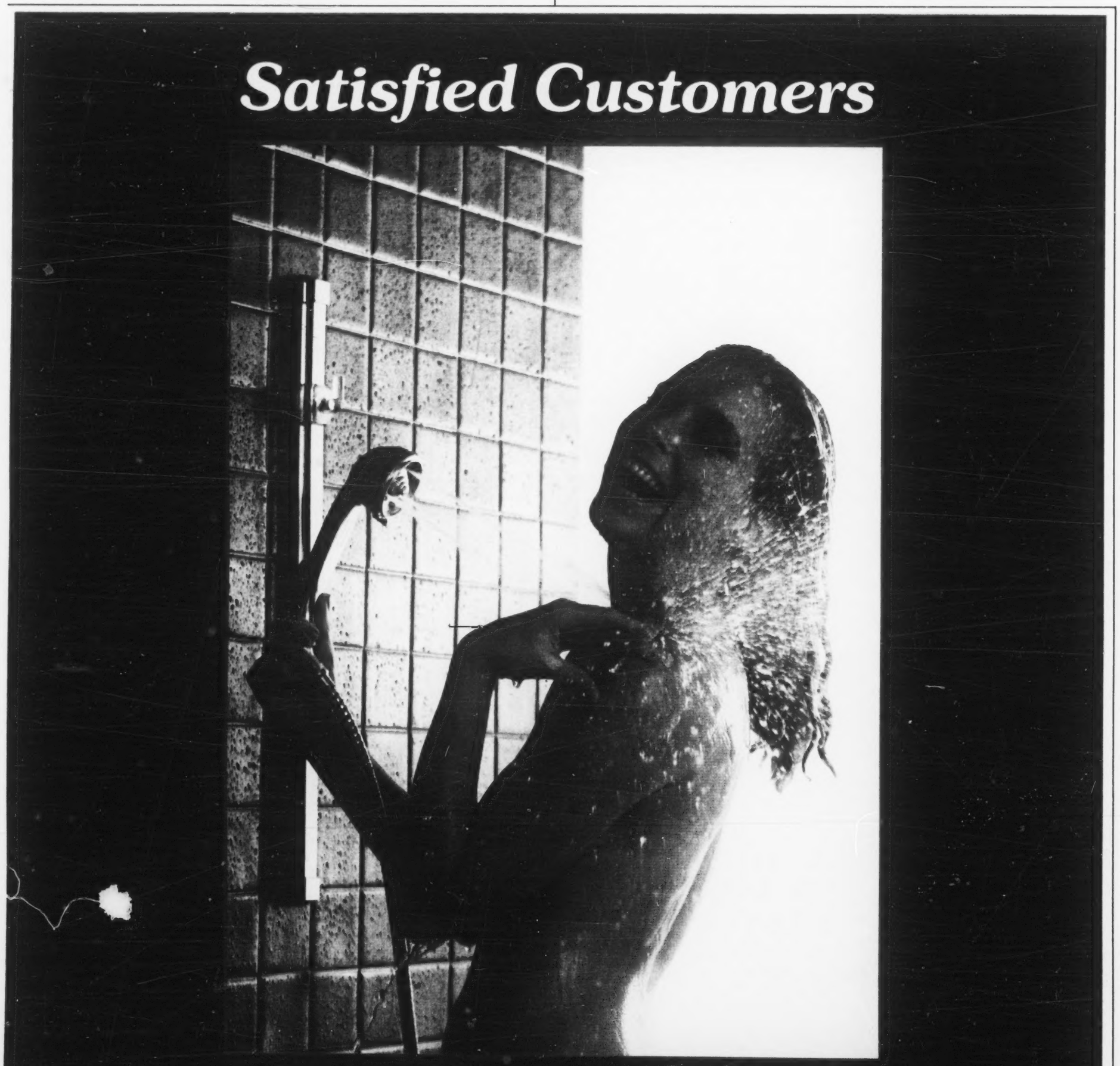
Members of the H.I.Q. group picked criteria that were very similar to those of the general public. However, they emphasized lower prices even more than did the general public.

DIYers also put more emphasis on lower price than did those who hire outside help, while the latter group emphasized brand selection and convenient location more than did the DIYers.

Power tools

Sears enjoys a profile that is even higher for power tools than for hand tools, the survey

(Continued on page 40)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NHCN's 1983 Consumer Attitude Survey

Where they shop

(Continued from page 38)

showed.

The general public said they preferred to buy electric drills, saws and other power tools at Sears 36% of the time. They preferred home centers 16% of the time and hardware stores 14% of the time. No other store categories received more than 10% of the vote as a preferred power tool source.

The preference for Sears was even more electrifying among the H.I.Q. group, which selected Sears 44% of the time, home centers 17% of the time and hardware stores 14% of the time.

DIYers selected Sears more often than did those who hire outside help to complete projects. The latter group tended to prefer home centers as a source of power tools more than did DIYers.

The general public chose their favored retailer for three main reasons. Closely ranked in importance, they were, in descending order: brand selection, lower price and quality. Members of the H.I.Q. group specified the same three reasons in the same order, and put even more emphasis on each of them than did the general public.

Convenient location, in fourth place with both groups, proved far more important to the public in general than it did to the H.I.Q. group.

Paint

When asked where they would prefer to purchase paint, and paint sundries, the general public cited specialty stores 32% of the time.

About a fourth of the general public responding to the survey selected Sears. Home centers, selected by only 13% of those interviewed, came in a distant third while 10% selected hardware stores.

The lowest-ranking stores on the paint totem pole were "other discount or department stores," picked by less than 9% of the respondees. K mart was cited specifically by less than 3%.

Do-it-yourselfers in the study were more likely to buy their paint at home centers compared with those who rely on outside help. Specialty stores on the other hand, tend to attract those who hire help over DIYers.

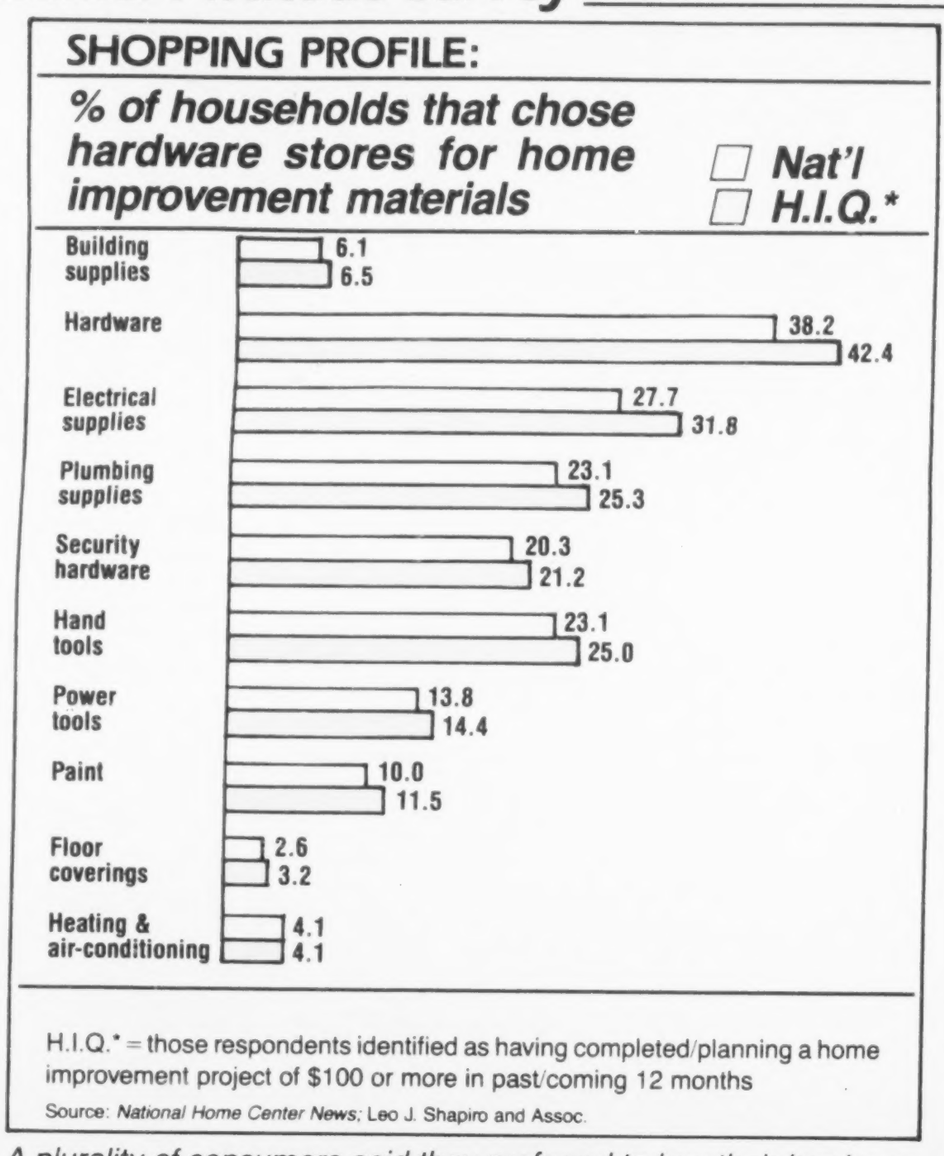
Of households that completed a home improvement project of over $100 last year, only 20% said, in general, they would select Sears as the place to buy paint, while 38% would go to a specialty store, and 10% would go to home centers.

However, of those who plan to undertake a project of over $100 in the coming year, 32% cited Sears as the place they would prefer to buy their paint, 36% would go to specialty stores and 11% would go to home centers. These figures reinforce the idea that Sears and specialty stores clearly outrank home centers in the public's perception as a source for paint.

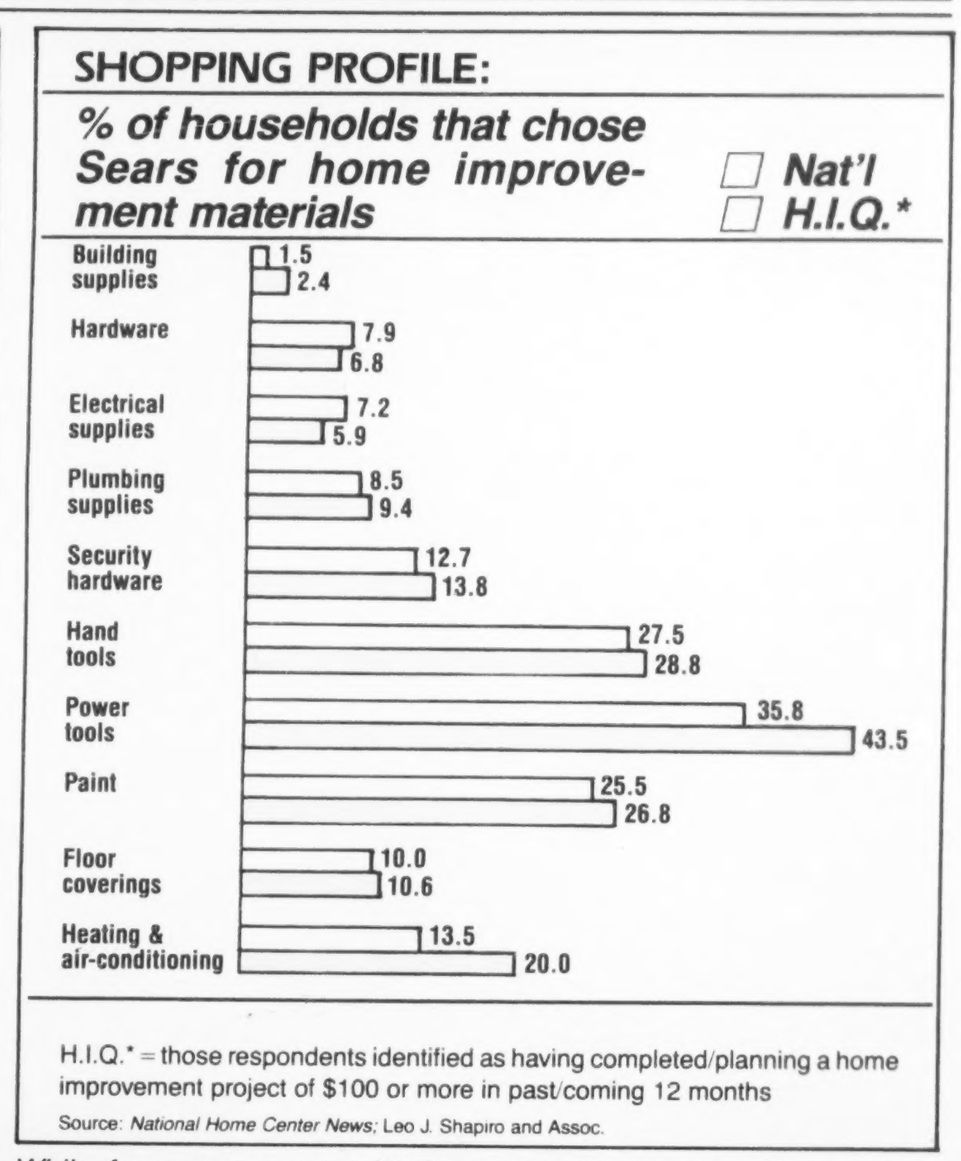
Responding to questions in the survey, the general public cited "quality" as the most important reason for selecting their preferred source of paint, and "lower prices" as the second most important benefit of their favored retailer.

However, those households which either completed last year, or plan to complete this year, a remodeling project of over $100 (the home improvement qualified, or H.I.Q.

(Continued on page 41)


SHOPPING PROFILE:
% of households that chose hardware stores for home improvement materials
Nat'l
H.I.Q.*
Building supplies 6.1 6.5
Hardware 38.2 42.4
Electrical supplies 27.7 31.8
Plumbing supplies 23.1 25.3
Security hardware 20.3 21.2
Hand tools 23.1 25.0
Power tools 13.8 14.4
Paint 10.0 11.5
Floor coverings 2.6 3.2
Heating & air-conditioning 4.1 4.1
H.I.Q.* = those respondents identified as having completed/planning a home improvement project of $100 or more in past/coming 12 months
Source: National Home Center News; Leo J. Shapiro and Assoc.

A plurality of consumers said they preferred to buy their hardware items at hardware stores. Electrical supplies, plumbing supplies, security hardware and hand tools are also popular at those stores.


SHOPPING PROFILE:
% of households that chose Sears for home improvement materials
Nat'l
H.I.Q.*
Building supplies 1.5 2.4
Hardware 7.9 6.8
Electrical supplies 7.2 5.9
Plumbing supplies 8.5 9.4
Security hardware 12.7 13.8
Hand tools 27.5 28.8
Power tools 35.8 43.5
Paint 25.5 26.8
Floor coverings 10.0 10.6
Heating & air-conditioning 13.5 20.0
H.I.Q.* = those respondents identified as having completed/planning a home improvement project of $100 or more in past/coming 12 months
Source: National Home Center News; Leo J. Shapiro and Assoc.

While few consumers said Sears was their preferred source of hardware and building supplies, the stores were clear favorites for hand and power tools.

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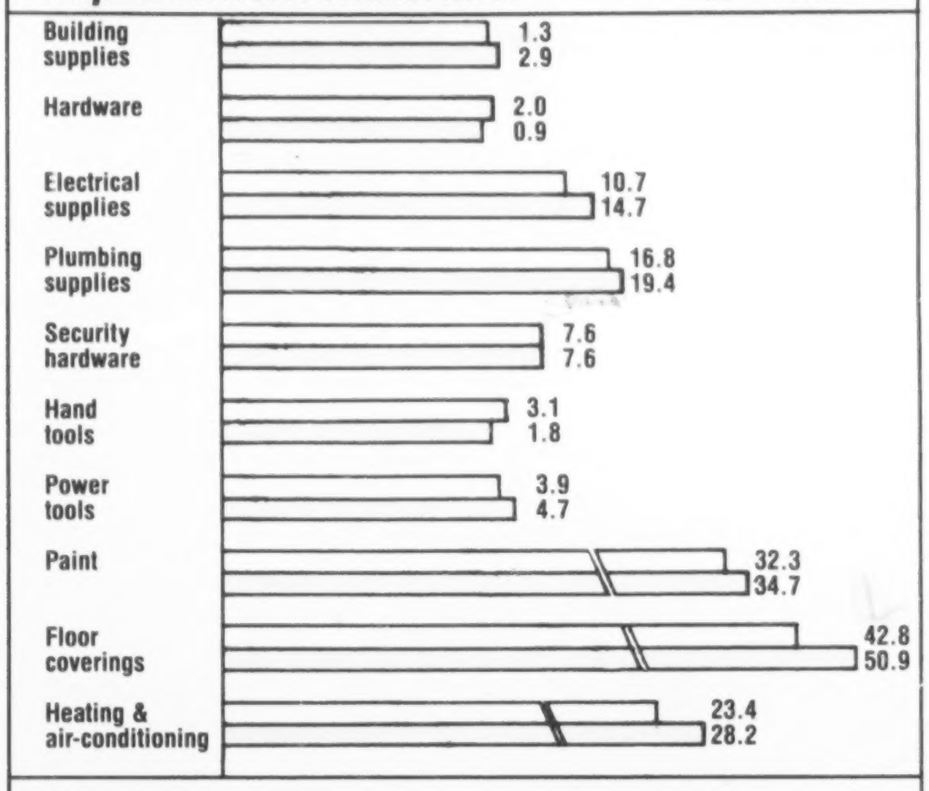
NHCN's 1983 Consumer Attitude Survey

SHOPPING PROFILE:

% of households that chose specialty outlets for home improvement materials



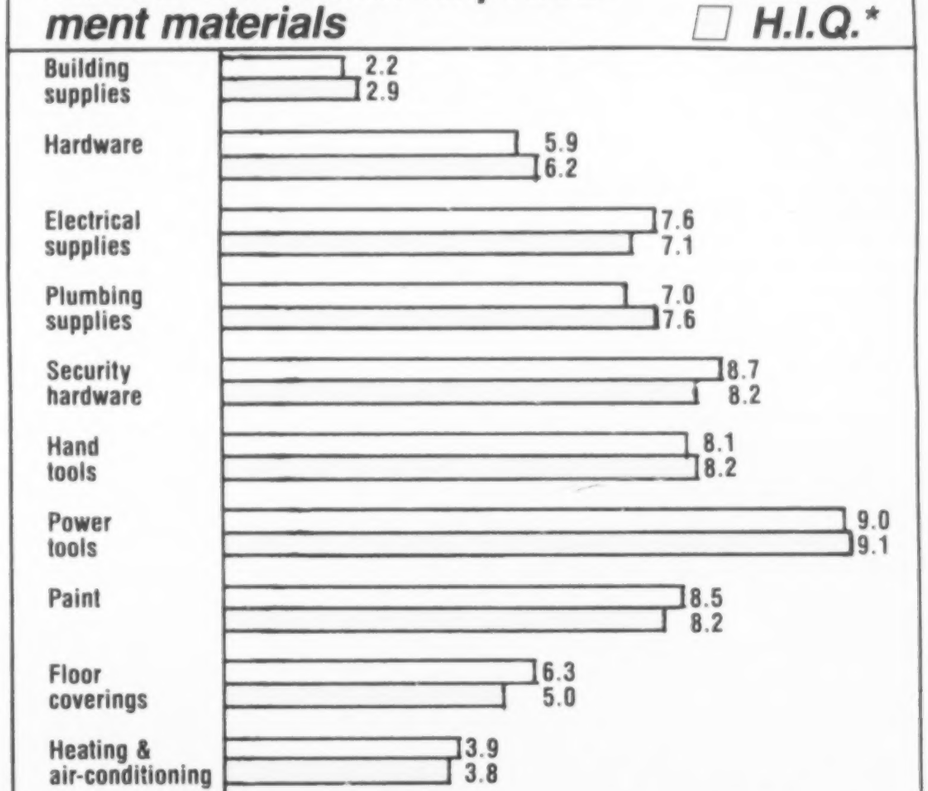
H.I.Q.* = those respondents identified as having completed/planning a home improvement project of $100 or more in past/coming 12 months

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

A plurality of consumers interviewed said specialty stores were their preferred outlets for floor coverings, and heating and air-conditioning products.

SHOPPING PROFILE:

% of households that chose other discount/department stores for home improvement materials



H.I.Q.* = those respondents identified as having completed/planning a home improvement project of $100 or more in past/coming 12 months

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

Fewer than 10% of consumers interviewed selected discount or department stores (not including Sears or K mart) as their preferred source of merchandise in any one category.

Consumer shopping patterns

(Continued from page 40)

group), cited "lower prices" most often and "quality" second as reasons why they selected favorite retailers as sources for paint.

Both the general public and the H.I.Q. group cited "selection of brands" as the third most important reason for retailer selection. "Close and convenient location," was the fourth reason in importance, and the last option presented by the survey that brought any appreciable response.

Floor coverings

Responding to the survey, the general public chose specialty stores as their overwhelming choice as preferred source of floor coverings.

Close to 43% of the public nationally said they preferred to buy floor coverings at specialty stores. Home centers were floored by the survey at 11% while only 10% of the general public said they would prefer to shop at Sears for such merchandise.

Members of the H.I.Q. group selected specialty stores over 50% of the time, home centers 13% of the time and Sears 11% of the time.

Within the H.I.Q. group, DIYers chose home centers as preferred flooring source about twice as often as those who hire contractors. Those who hire contractors chose Sears about twice as often as DIYers.

Both the general public and the H.I.Q. group chose brand selection and lower prices as the closely ranked first and second criteria for choosing a retailer for flooring.

Heating and Air-Conditioning

Specialty stores were also the chosen outlets for heating and air-conditioning equipment such as furnaces, central air-conditioners, window air-conditioners and heat pumps, according to the survey.

The general public chose specialty stores 23% of the time, Sears 14% of the time and home centers only 8% of the time. The members of the H.I.Q. group selected store categories in the same order as their preferred heating and air-conditioning product sources, giving an even greater emphasis, 28%, to specialty stores.

Within the H.I.Q. group, those who hire outside help said Sears was their chosen source for such equipment more often than did the DIYers, who preferred specialty stores more often than did those who hired contractors.

Although the reasons for selecting a retailer for heating and air-conditioning equipment were spread over a far broader range of categories than for other types of merchandise, brand selection and lower price still topped the list. The general public chose brand selection first while members of the H.I.Q. group put lower prices on top.

Moreover, those households in the H.I.Q. category that performed projects on a DIY basis found lower price more important than those who hire contractors. The latter group found brand selection more important than did those in the former category.

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easy go.

Now we've made it the easiest to sell.*

Qest is the undisputed leader in polybutylene plumbing. Proven by plumbers in millions of structures. And by DIYers in major home centers across the country. Now we're introducing a new merchandising program that makes selling Qest a cinch, too!

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Let's start with our new skin-packed product cards. Bold. Eye-catching. Graphically uniform all the way down to a redesigned coil package that takes up far less space.

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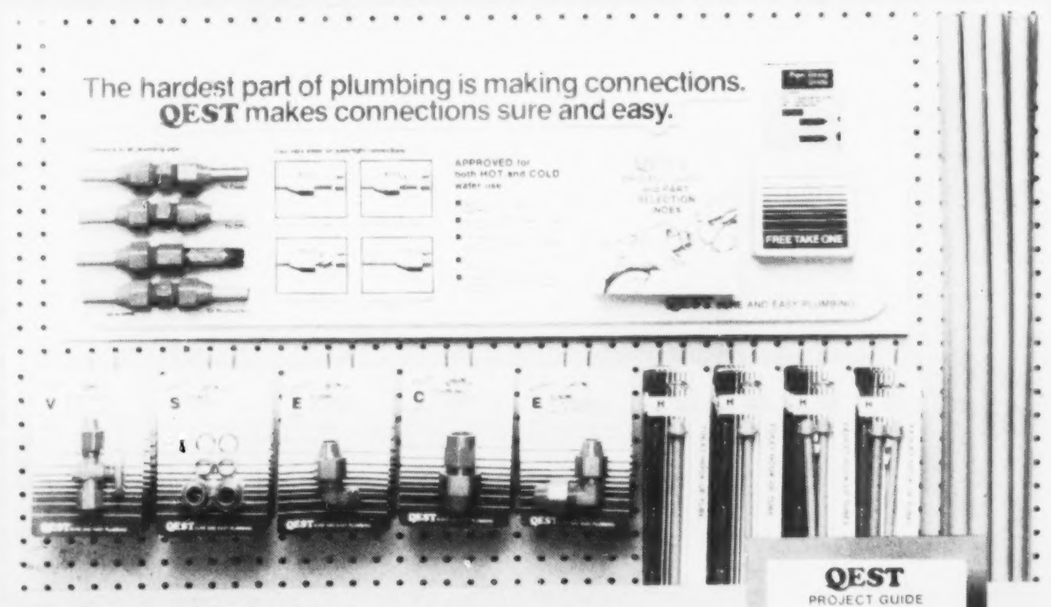
Our merchandising display is designed to answer your customers' most-asked questions about plumbing.

The *header* clearly explains how easily Qest plumbing connects to CPVC, copper, iron and polybutylene pipe. Actual samples show how.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QEST makes connections sure and easy.
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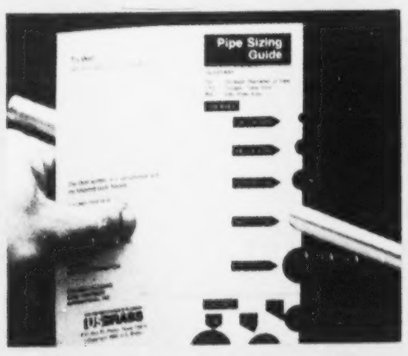
QEST
PROJECT GUIDE and PART SELECTION INDEX

The *project guide* illustrates the most common installation and repair jobs. How to do them. What's needed. And every part shown is listed and coded to its product card.



A *free "take-home" Pipe Sizing Guide* is also included. It makes sure customers buy the right size fittings and pipe, and explains the Qest system in detail.

Your sales potential analyzed.

What kind of sales potential does our merchandising program have? We can tell you. With a confidential market analysis of your area. Just call Consumer Sales, Mr. Tom Nix, toll free at 1-800-527-4408. In Texas call (214) 423-3576. Or write U.S. Brass Consumer Sales, P.O. Box 37, Plano, Texas 75074 But you better hurry. Or you'll find yourself plumb out of luck.

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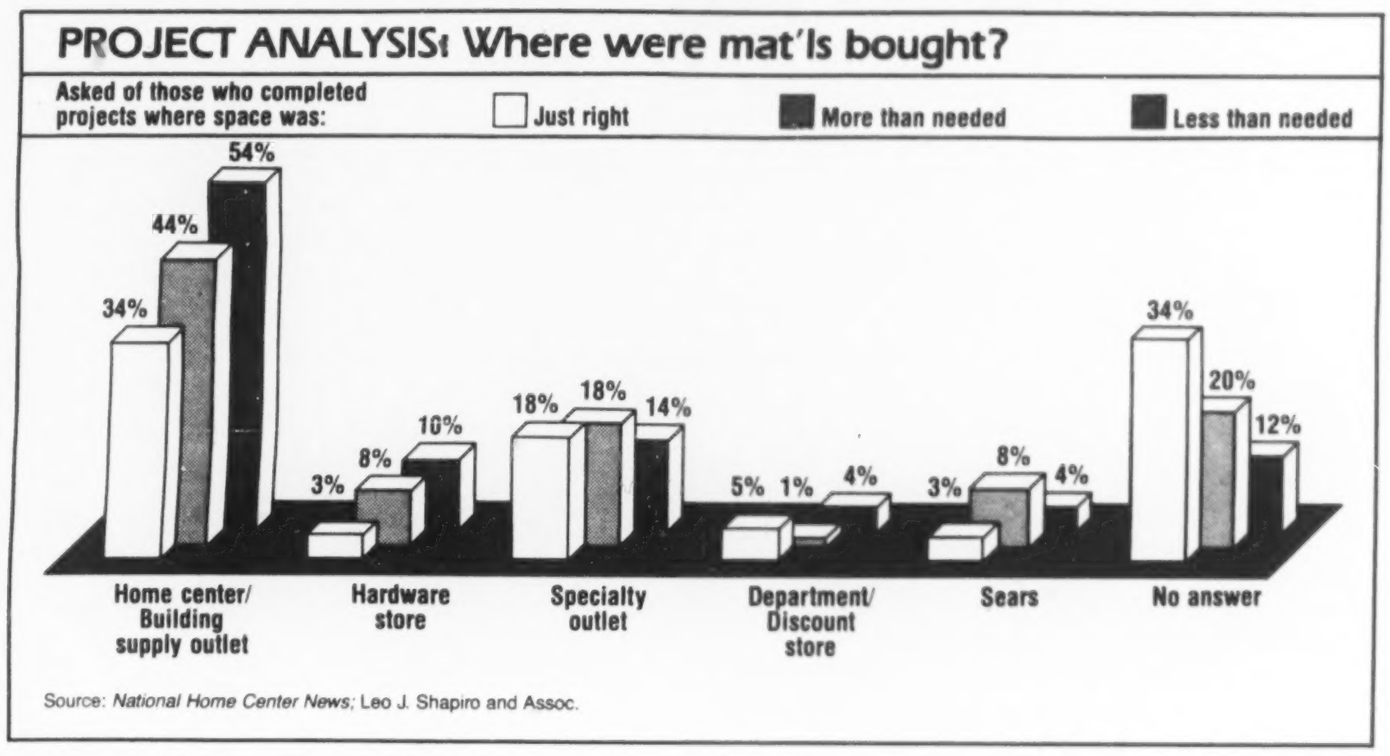
NHCN's 1983 Consumer Attitude Survey

Households completing projects prefer home centers



Whatever their perceptions of their space requirements at home, consumers preferred home centers as their primary source of building materials.

Of those households completing a $100 or more home improvement project last year, a clear plurality preferred home centers as their primary source of supply for materials used in the projects, according to a *National Home Center News* survey.

However, elsewhere in the study it was found that home centers still don't rank very high as the one type of store that comes to mind when consumers think of all their home improvement needs. While consumers may prefer home centers, they still chose specialty stores, discount outlets and other retailers for certain products.

The fact that households are still relying on several types of stores for all their needs is reinforced by the fact that the average ticket sale of $1,162 spent at the primary retailer by consumers undertaking major home improvement projects falls far short of the average total cost of those same projects.

Householders who said they had less living space than they needed expressed the most enthusiasm about home centers, since a majority of them, 54%, said they preferred such stores and had shopped there as their primary source for materials.

Those with more space than needed selected home centers 44% of the time. Those who said their space was just right picked home centers 34% of the time.

Specialty stores, the second most popular retail category as primary source of materials, was selected by consumers from 14% to 20% of the time depending on their space perceptions.

The mean average materials ticket was $1,628 for consumers who said their space was just right. Those who said they had more space than needed spent an average of $1,070. Those with less space than needed spent an average of $1,161.

Consumers will travel longer for major items

Consumers are willing to travel longer distances for their major, higher-priced purchases, according to a new *National Home Center News* survey of 458 households nationwide.

Consumers will travel over 15 minutes for big ticket categories. They will travel farthest for floor coverings like tile, carpeting and linoleum, for which the preferred store averages 17.6 minutes from home. And 28% of people interviewed said they would travel over 20 minutes to get to the store they want.

The category second in length of time people will travel is heating and air-conditioning equipment. People will travel an average of 16.3 minutes and nearly 20% of them will travel over 20 minutes.

Householders will also go the distance for building supplies such as lumber, paneling and insulation, to the extent of 15.1 minutes.

Products of smaller size and price are purchased at stores closer to home. People travel from between 13 and 15 minutes for hand tools (13.3), wall or house paint (13.5), security hardware like locks, alarm systems and smoke detectors (13.9) and power tools (14.8).

Consumers usually travel on average, less than 13 minutes but more than 11 minutes, for nonspecific and cheaper items.

SHOPPING PROFILE:

How far will you go to shop for:

(in mean minutes)	Nat'l	H.I.Q.*
Floor coverings	17.57	16.16
Heating & air-conditioning	16.27	16.38
Building supplies	15.09	15.07
Power tools	14.79	14.91
Security hardware	13.90	12.98
Paint	13.52	12.99
Hand tools	13.28	13.01
Plumbing supplies	12.90	12.27
Electrical supplies	12.38	11.56
Hardware	11.50	10.64

H.I.Q.* = those respondents identified as having completed/planning a project costing $100 or more in past/coming 12 months

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

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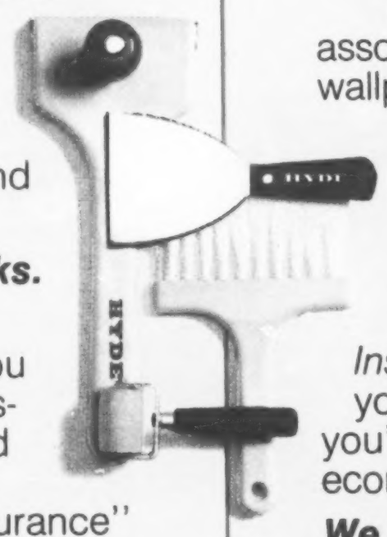

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How Hyde Is Supporting Free Insurance.

"Free Insurance" is supported with everything you'll need. Window banners, paint can toppers, shelf-talkers and counter cards. And Hyde's brand new retail co-op advertising program will help you move more product than ever before.

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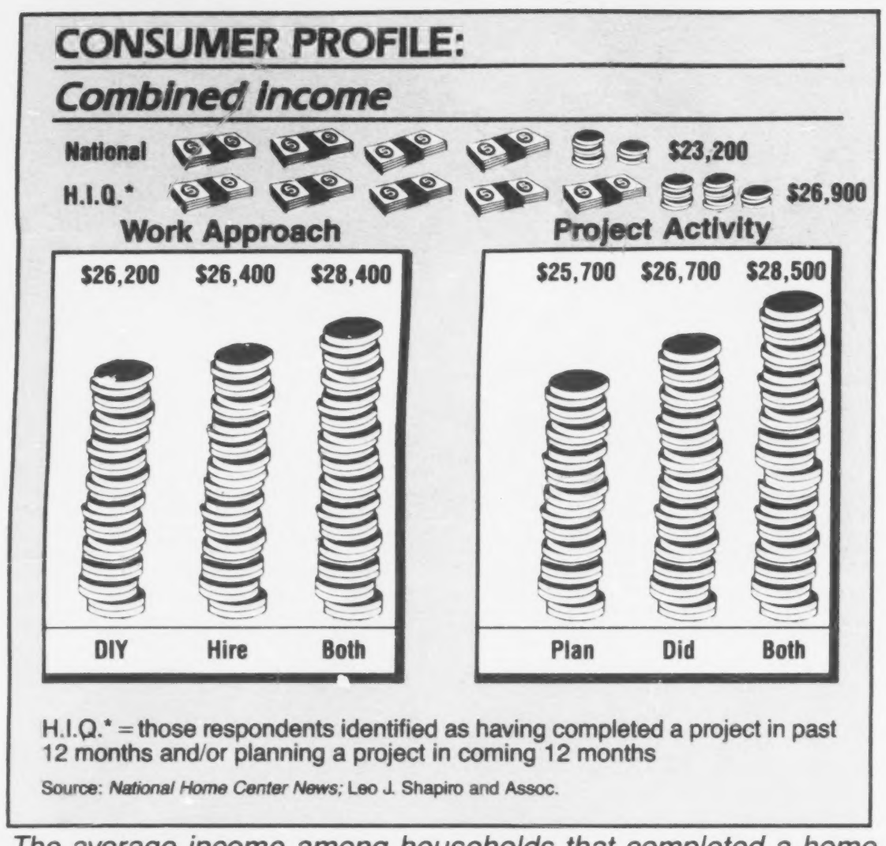
NHCN's 1983 Consumer Attitude Survey

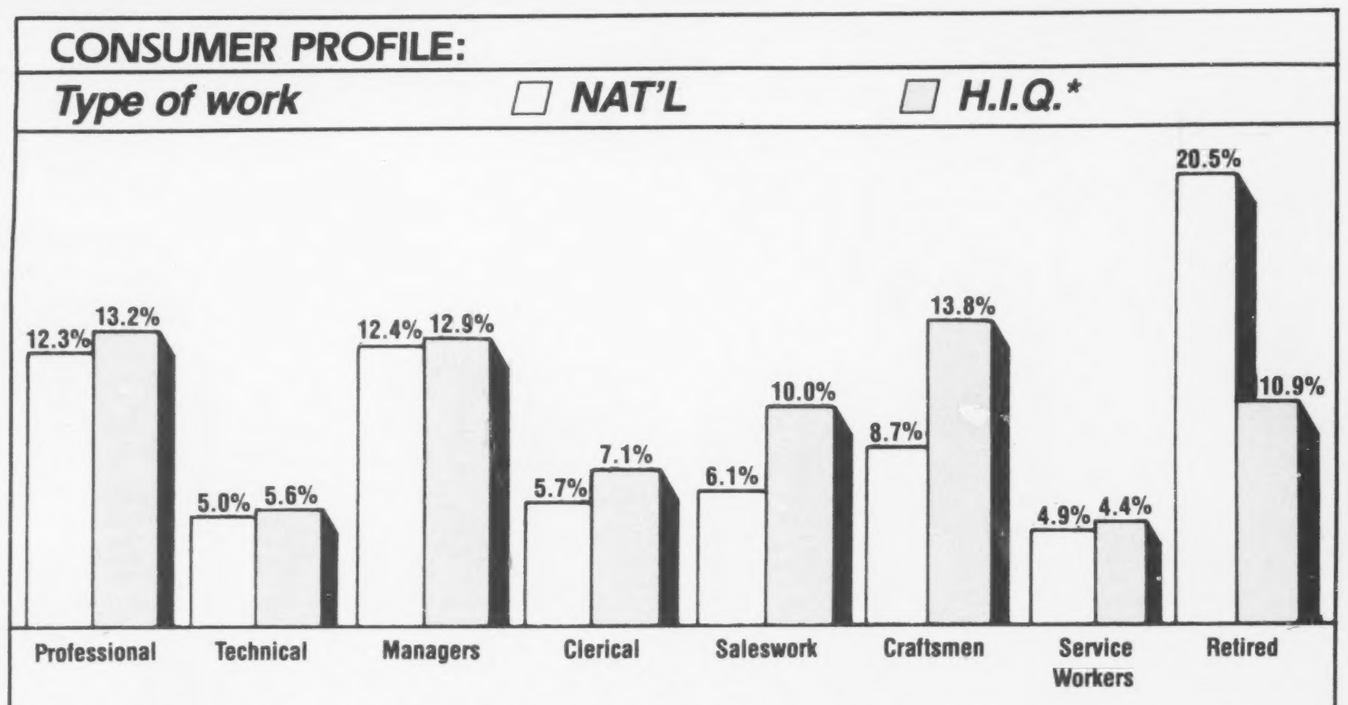
Home improvers tend to be affluent, skilled



H.I.Q.* = those respondents identified as having completed a project in past 12 months and/or planning a project in coming 12 months

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

The average income among households that completed a home improvement project of $100 or more last year or plan one during the next 12 months was more than $3,500 above the $23,200 average national household income. Among this group, households with the highest incomes are more likely to hire a contractor and are also more likely to have both completed a project and be planning another.



H.I.Q.* = those respondents identified as having completed a project in past 12 months and/or planning a project in coming 12 months

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

Over one-fifth of all households nationally are headed up by a retiree, but just under 11% of the homes where a home improvement project is planned or completed are occupied by retired persons. Among home improving households, 13.4% are employed as craftsmen, the highest percentage, whereas managers account for the second-highest employment group nationally. Moreover, 41.2% of households involved in home improvement projects of $100 or more have one wage earner, and another 38% have two, both percentages higher than the national averages.

(Continued from page 18)

employed contractor assistance was $28,400; those "most active" households that did a project and are planning another had incomes of $28,500, higher than either the $26,700 average for homes that completed the job over the last 12 months, or the $25,700 income average for households planning a job over the next year.

When combined income is discussed, it is essential to note that of all households nationally, including the active home improvers, more than 7% had three or more persons bringing in a paycheck, an indication that a growing portion of the population has found it necessary to more than "double up" to afford housing.

Of all households nationally, more than 7% had three or more persons bring in a paycheck

However the largest number of homes nationally, 40.3%, still have only one wage earner and within those households involved in home improvement activity, more than 41% have only one member employed. Another 37.6% of the home improvers have two members employed, compared with 29% nationally.

But of note also is that one out of five households nationally have no wage earners, a figure that drops to less than 11% among households involved in home improvement projects, which suggests a substantial untapped retiree market.

Among the qualified household group that was engaged in a $100 or more project, 13.8% were craftsmen and another 13.2% were professionals, with managers accounting for 12.9%. After retirees, managers make up the largest percentage—12.4—of total households nationwide.

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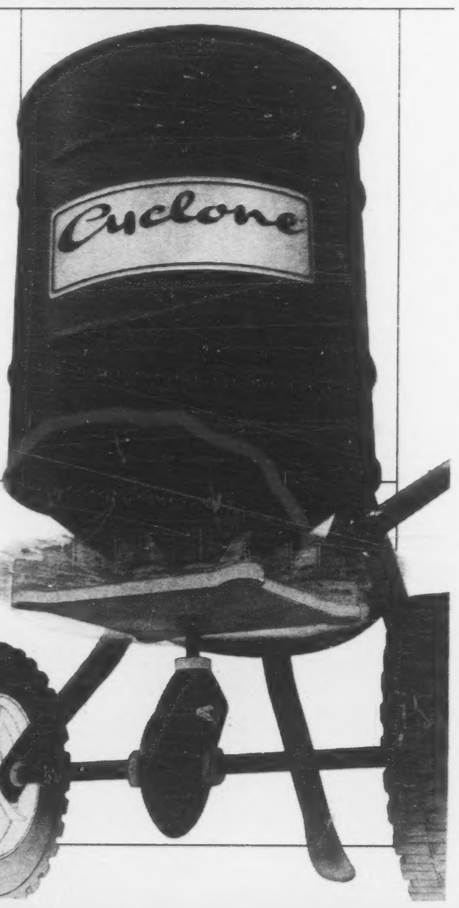

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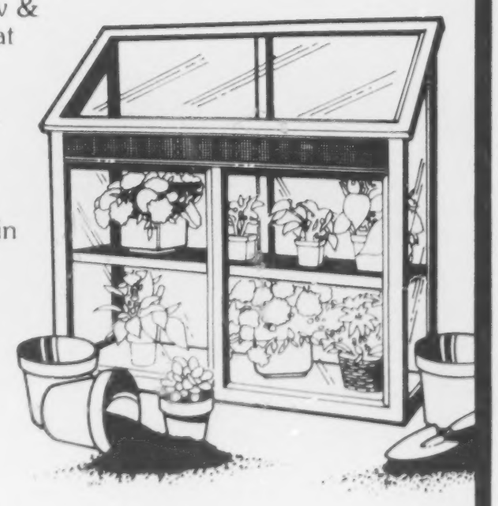

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NHCN's 1983 Consumer Attitude Survey

Baby boomers, women remain most active improvers

The 30-34 year age bracket makes up the plurality—close to 20%—of those households involved in a home improvement project of $100 or more.

This age group, part of the baby boom generation, also accounted for 16% of all households nationally, again the highest percentage group in this mix.

Those households having either planned or completed a $100-plus home improvement project averaged 40.7 years old, more than three years younger than the national average for all households. In fact, slightly more than half of this qualified group were 39 years old or younger.

However, among these active home improvement households, those who actually completed a home improvement project of $100 or more in the past 12 months were older, with 44.7 years being the mean age.

The same holds true for those active home improvement households that employed a contractor to do a project: these households averaged 46.2 years old, compared with a younger 37.6-year-old mean for households completing the job themselves, and the 40.2 year average for those who did the DIY work with the assistance of a contractor.

Women outnumber men, 55% to 45%, among those who completed a project last year.

Those planning to do a job this year showed up in *NHCN*'s survey as being younger—39.4 years old as an average—than those who completed a job, while the "most active" households having done a project and are planning another soon are just a bit over 37 years old.

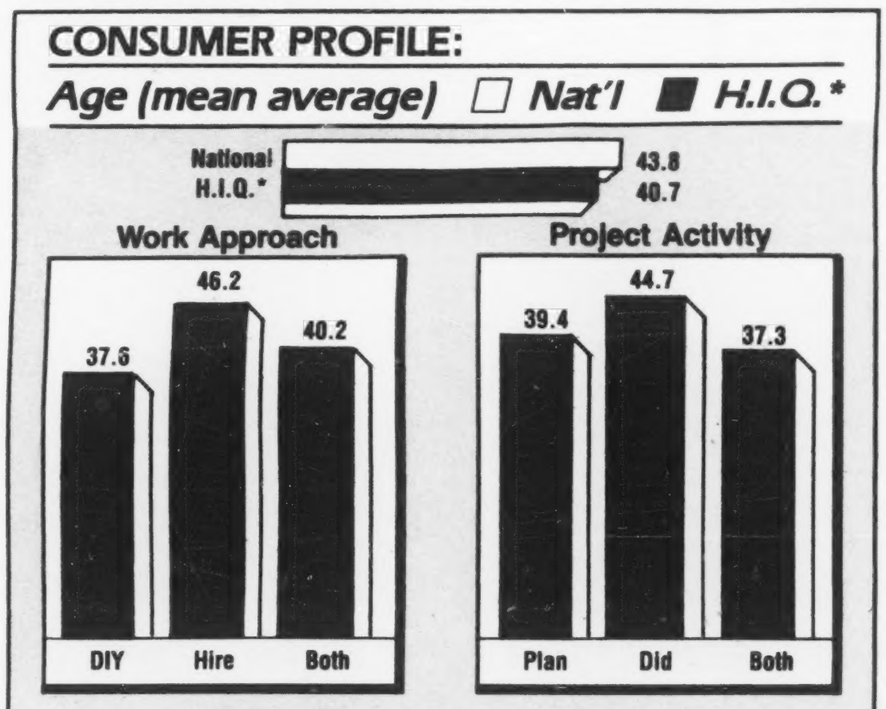
Actually, the age differentials between all households and those of the active home improvement group vary only minimally except in the 65 and older bracket, where the proportion of households involved in a home improvement project of $100 or more falls off to about 5% of the total.

Another component in this clustering is sex, and the survey found that women are participating in more complicated projects, and are even taking on the project themselves in some instances.

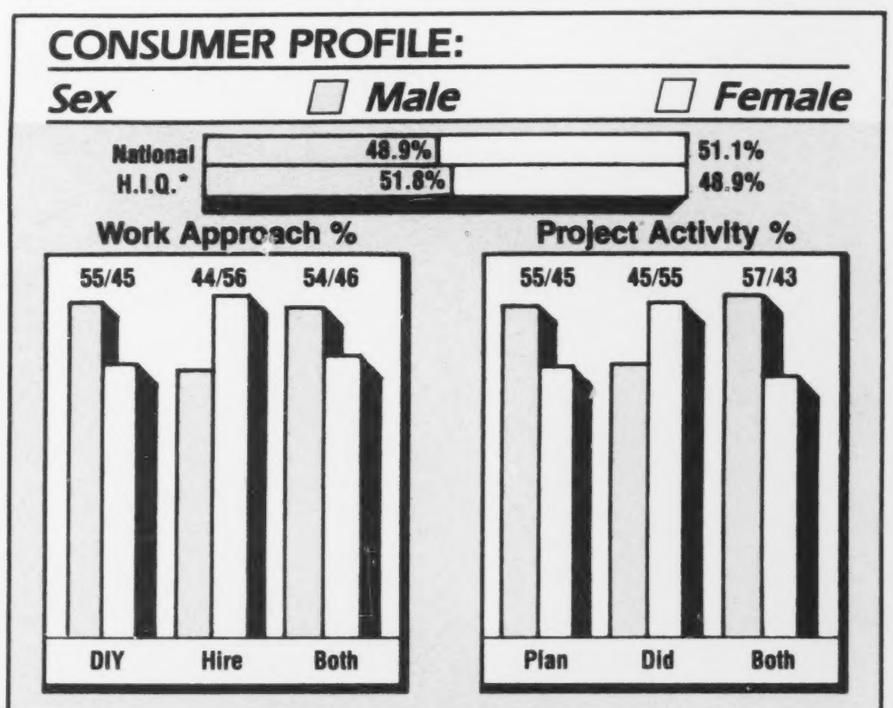
While national averages for all households shows a 48.9/51.5 male/female split, the reverse is true among households involved in home improvement projects: They are composed of 52% males, 49% females.

Among all DIYers, the percentage of men outnumbers women 55/45, but the opposite is true among those who did, or plan to hire professional help. The percentages reverse when looking at who actually completed projects last year, where women, in fact, outnumber men, 55% to 45%, among those who completed a project of $100 or more last year. Not only are women the primary shoppers in home centers now, they are also tackling a greater array of projects.

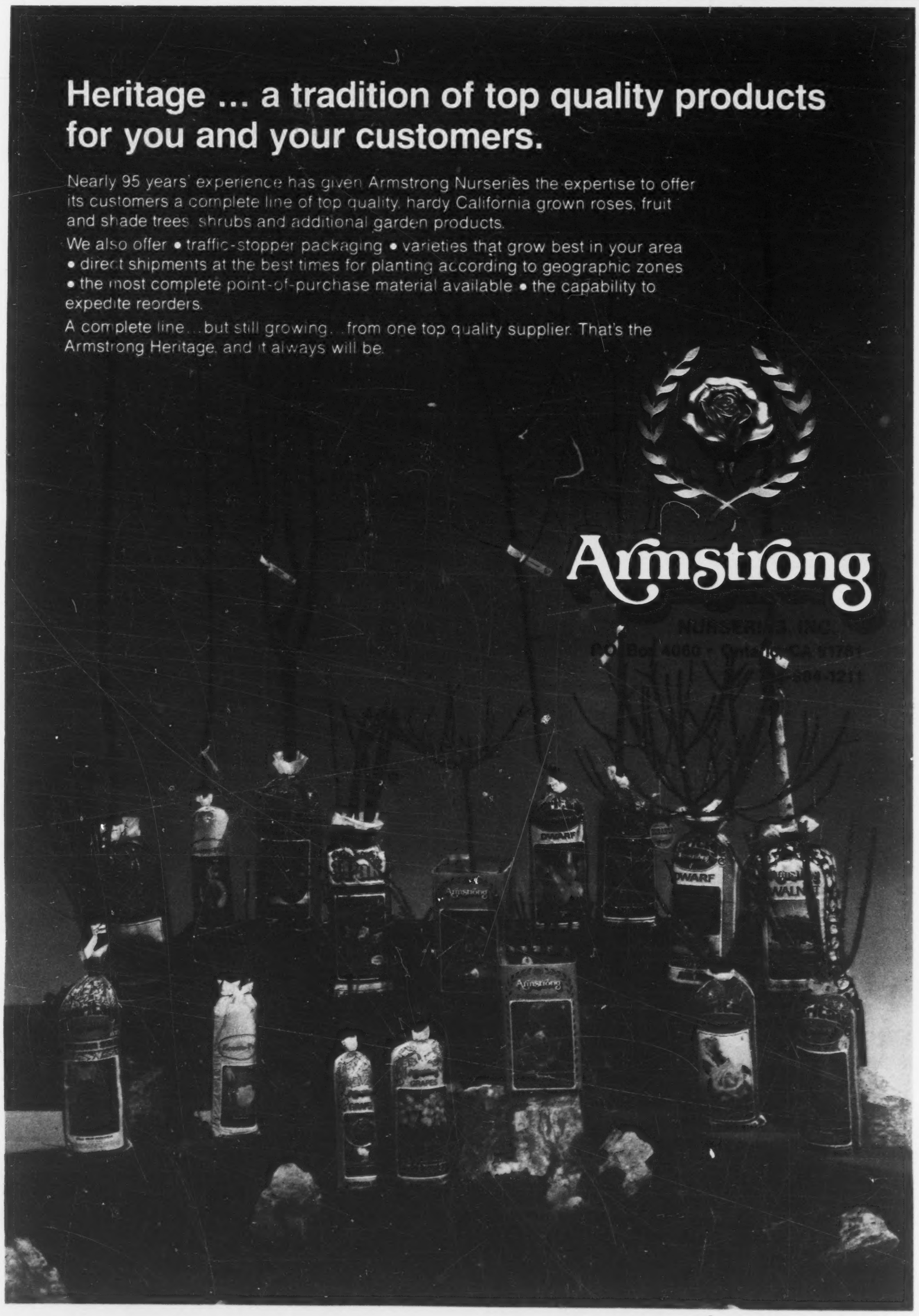
Nevertheless, men represented the larger percentage of those who completed a project with the assistance of a contractor, 54% or 46%, and those who not only completed a project but were planning another presently, 57% to 43%.



Residents of households involved in home improvement projects exceeding $100 averaged 40.7 years of age, more than three years younger than the national average for all households.


CONSUMER PROFILE:
Sex Male Female
National 48.9% 51.1%
H.I.Q.* 51.8% 48.9%
Work Approach %
55/45 44/56 54/46
DIY Hire Both
Project Activity %
55/45 45/55 57/43
Plan Did Both
H.I.Q.* = those respondents identified as having completed a project in past 12 months and/or planning a project in coming 12 months
Source: National Home Center News; Leo J. Shapiro and Assoc.

Women account for a slight majority in all households. They also were more prone than men to complete a remodeling project in the last 12 months, and to hire a contractor to do the work.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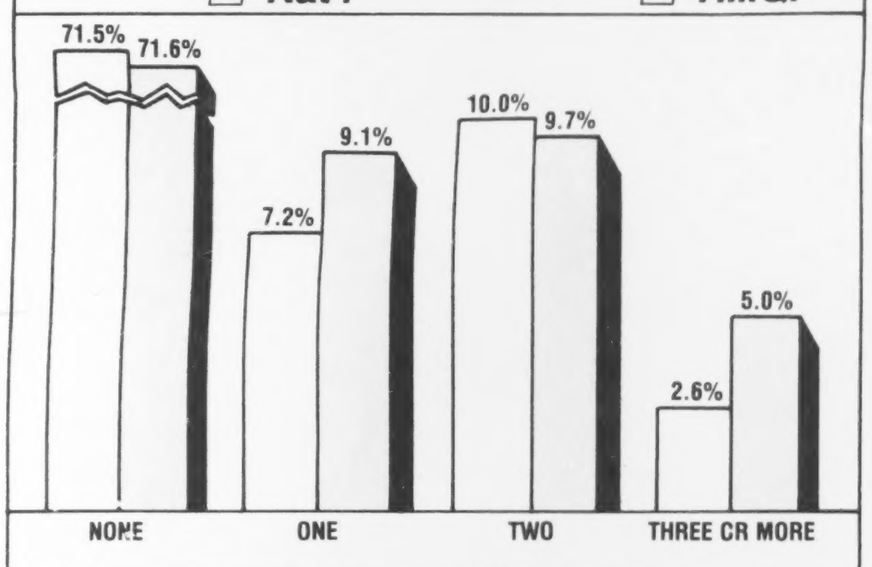
NHCN's 1983 Consumer Attitude Survey

Shrinking households will affect future fix-ups

CONSUMER PROFILE:

Number of children planned

☐ Nat'l ☐ H.I.Q.*



H.I.Q.* = those respondents identified as having completed a project in past 12 months and/or planning a project in coming 12 months

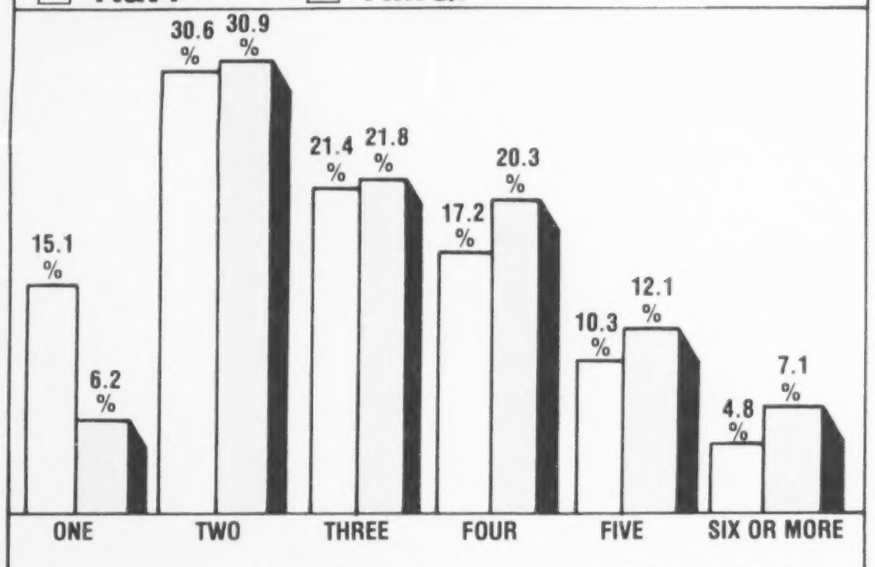
Source: *National Home Center News;* Leo J. Shapiro and Assoc.

A baby boom does not seem imminent, according to a new National Home Center News *survey that shows over 7 out of every 10 households, both in total and in the group designated to have been involved in a $100-plus home improvement, not planning to have any children. A combined 20% for both groups indicated they were planning two children.*

CONSUMER PROFILE:

Number of Persons in Household

☐ Nat'l ☐ H.I.Q.*



H.I.Q.* = those respondents identified as having completed a project in past 12 months and/or planning a project in coming 12 months

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

Over 15% of the total households in the United States have only one occupant, according to a new National Home Center News *survey. Almost one-third had two persons in residence and another 21% had three. In the H.I.Q. group, only 6% of households surveyed have just one occupant. In comparison, 31% had a two-person household, and 22% of the homes had three occupants.*

Nearly one out of every seven of America's 83.5 million households has only one occupant, and among the households involved in a $100 or more home improvement project, close to one-third are occupied by only two persons.

Further indicating that households are getting smaller is the remarkable statistic that 58% of all households had no children and more than 7 out of 10 nationally said they planned to have no children in the future. In the active home improvement household sector, there was little disparity from national findings: almost half of the homes had no children and more than 71% said they had no plans to have children in the future.

This trend toward the smaller family unit will affect not only the size of America's new housing stock, which in all likelihood will have downsized living quarters, but also the future needs in the home improvement market.

It appears that the larger family is going the way of the eight-cylinder automobile: only 4.8% of the national household sample had six or more occupants in the home, and 7.1% among the 27.5 million active home improvement households in the survey.

Among these households involved in $100-plus home improvement projects, 39.5% had four or more residents—an average of 3.3 persons per home. The number of households nationally having four or more persons fell to 32% of the total, and the national sample revealed that these homes averaged a bit less than three persons per unit.

An equal percentage of the national households and those involved in home improvement projects—21.4 for the national sample, 21.8 among those involved in $100 or more jobs—housed three persons.

In addition, about one-fifth of the households in the home improvement group had only one child, compared with 19% of the total households. For the future, about 10% of each group's respondents said they planned to have two children, with 7.2% of the national households and 9.1% of the active home improvement group stating that their homes would eventually have one child.

Regional stats

(Continued from page 16)

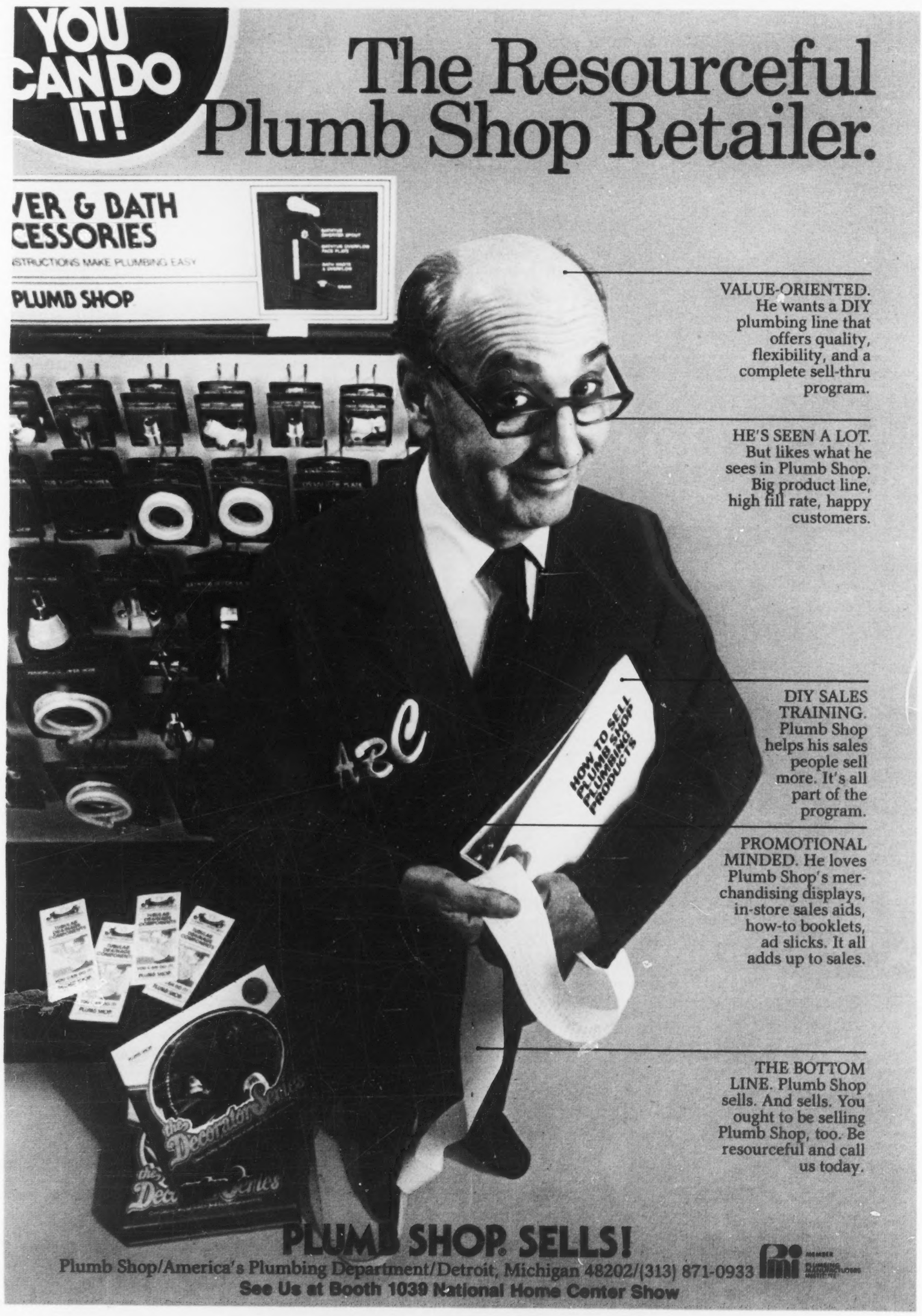
in terms of population that market is strong, since 14.1%. of households nationally that are involved in home improvement live in New York, Pennsylvania or New Jersey.

Viewing the Sunbelt as three separate areas, home improvement is strongest in the South Atlantic States where 11.5% of the nation's 27.5 million home-improving households reside. Looking at the area another way, about one-third, 32.5%, of its households are involved in home improvement.

The West South Central region is second in strength with 5.9% of the nation's home improving households living there and 30.4% of the region's households now fixing up their homes.

Only 4.1% of households involved in home improvement live in the East South Central States where 24.9% of the households are involved in home improvement.

In New England 37.9% of the region's households are involved in home improvement,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NHCN's 1983 Consumer Attitude Survey

Americans keep homes longer; more remodeling than moving

Households completing a home improvement project of more than $100 in the past year occupied that residence an average of 12 years, significantly longer than the 9.8-year national average.

This longer length of home tenure, revealed in a recent *NHCN* survey, indicated that many Americans faced with high mortgage interest rates have opted to forego moving and, in many cases, have decided to remodel their homes. Both the national and qualified household groups' length of home occupancy exceeds the prerecession average of seven years, evidence that people are simply staying in their homes longer.

Among households where $100 or more was spent on a project last year, those that hired a contractor to do the project lived in their homes longer—an average of 12.8 years—than did those who did the projects themselves, who averaged 8.2 years. Households that used a combined DIY-contractor approach lived in their homes 8.4 years.

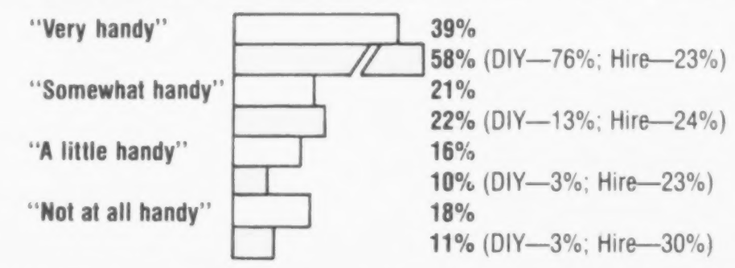
The shorter length of stay by DIYers may reflect an established tendency among that group to concentrate their home improvement efforts soon after moving into the new home, whereas households relying on a contractor tended to be older in age and conform more to the overall demographic profile of that group which hired a professional to complete a project.

Interestingly, those households whose occupants not only

(Continued on page 53)

CONSUMER PROFILE:

How handy are you? ☐ Nat'l ☐ H.I.Q.*



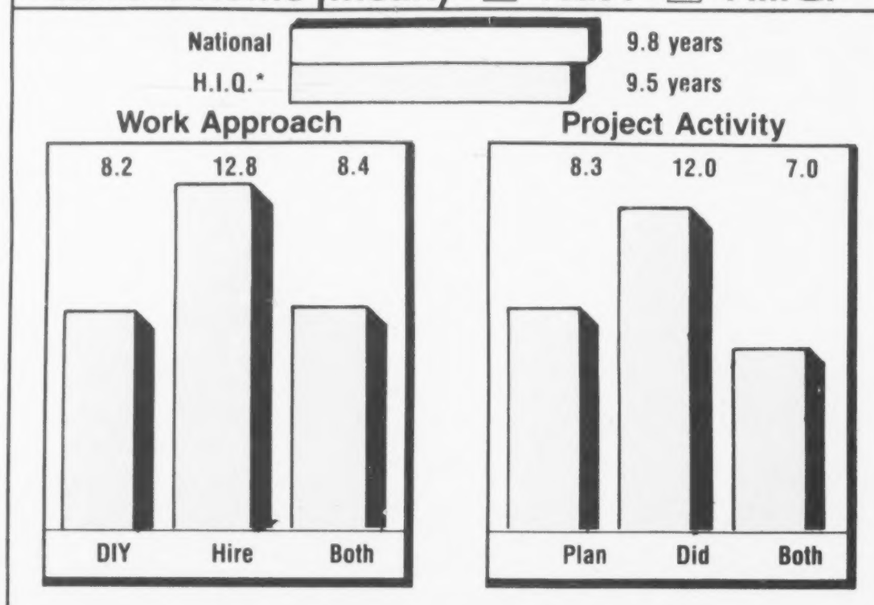
H.I.Q.* = those respondents identified as having completed a project in past 12 months and/or planning a project in coming 12 months

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

Among households that are active in home improvement 58% of respondents viewed themselves as "very handy." Even among the nation's households generally, respondents answered that they were "very handy" a strong 39% of the time.

CONSUMER PROFILE:

Number of years in current home (mean) ☐ Nat'l ☐ H.I.Q.*



H.I.Q.* = those respondents identified as having completed a project in past 12 months and/or planning a project in coming 12 months

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

There was not much difference in the average tenure of occupancy between the national average of 9.8 years and the 9.5 average for those households whose residents either completed in the past year or are planning in the coming year home improvement projects exceeding $100. However, in that latter group, those residents who actually completed a project in the past 12 months averaged 12 years occupancy in their current homes. Households that hired contractors to complete projects lived in their homes for the longest period, an average of 12.8 years.

Three out of five think they are somewhat handy

While a third of America's households were involved in major home improvement projects last year, 3 out of 5 Americans still consider themselves at least "somewhat handy," according to a new *National Home Center News*' survey.

Respondents representing almost 39% of the nation's 83 million households view themselves as "very handy." Among the 27.5 million households that are considered to be active in home improvement projects, almost 58% of those questioned see themselves as "very handy."

This apparent sense of confidence in undertaking repair and remodeling projects obviously has positive implications for the home center industry as it seems to imply that consumers may be willing to tackle more complicated and perhaps larger and more expensive jobs.

In the survey, the question was posed: "Thinking about the kinds of work that some people do to repair or fix up their homes or things in their homes, that is, do-it-yourself jobs like carpentry, plumbing, wiring, plastering, painting . . . wallpapering and so on, how handy would you say you are at doing these kinds of things?"

Possible responses were "very handy," "somewhat handy," "a little handy," and "not at all handy."

Among the general national group and the group that had either recently completed or was planning a project costing $100 or more (the H.I.Q. group), a plurality of respondents answered that they were "very handy," while among both groups only about 21% said they were "somewhat" handy.

About one third of the general group felt they were only "a little" or "not at all" handy. That figure dropped to about 21% among the active home improvers.

Predictably, there was a high proportion of DIYers among the H.I.Q. respondents who saw themselves as "very handy." More than three quar-

(Continued on page 53)

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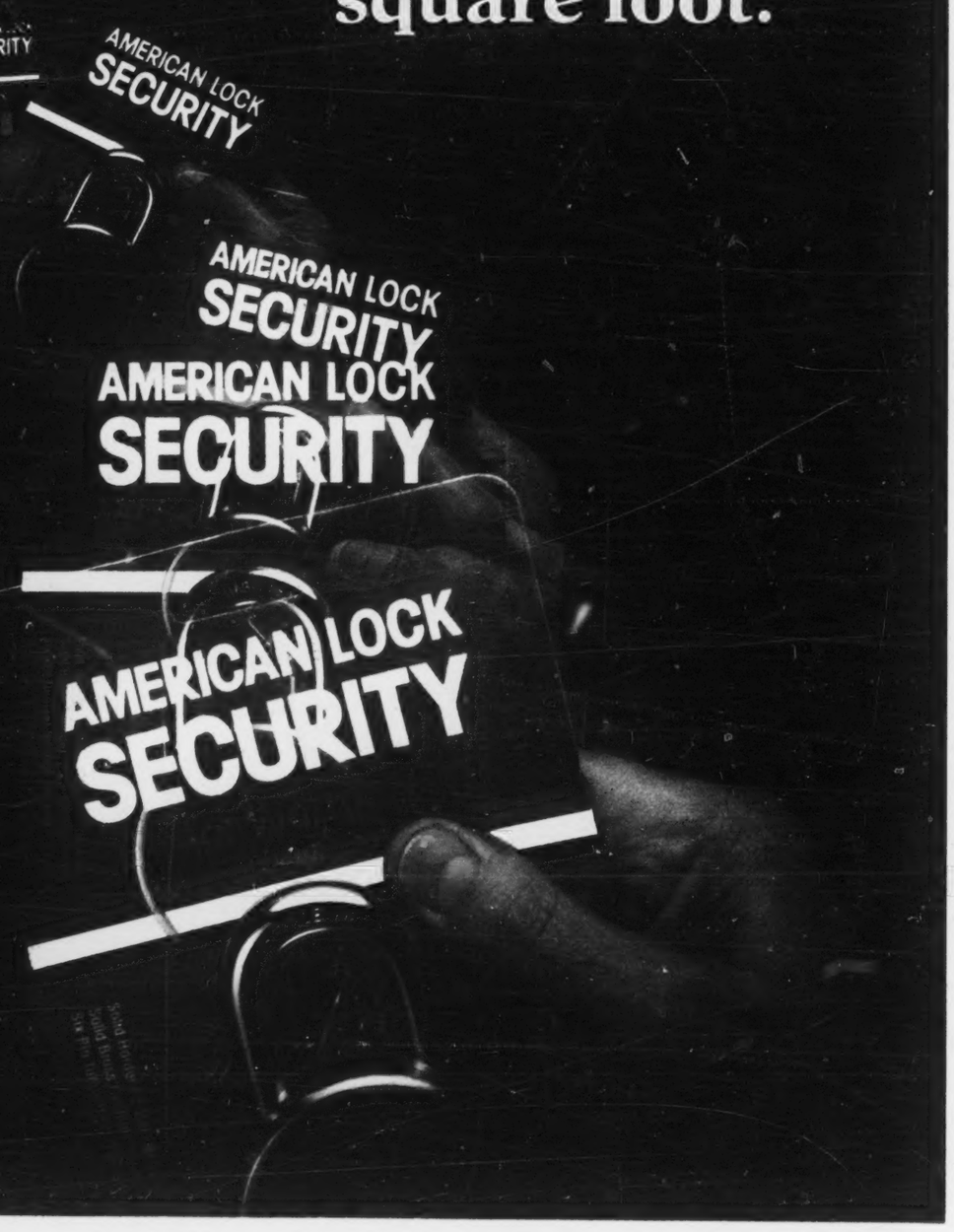

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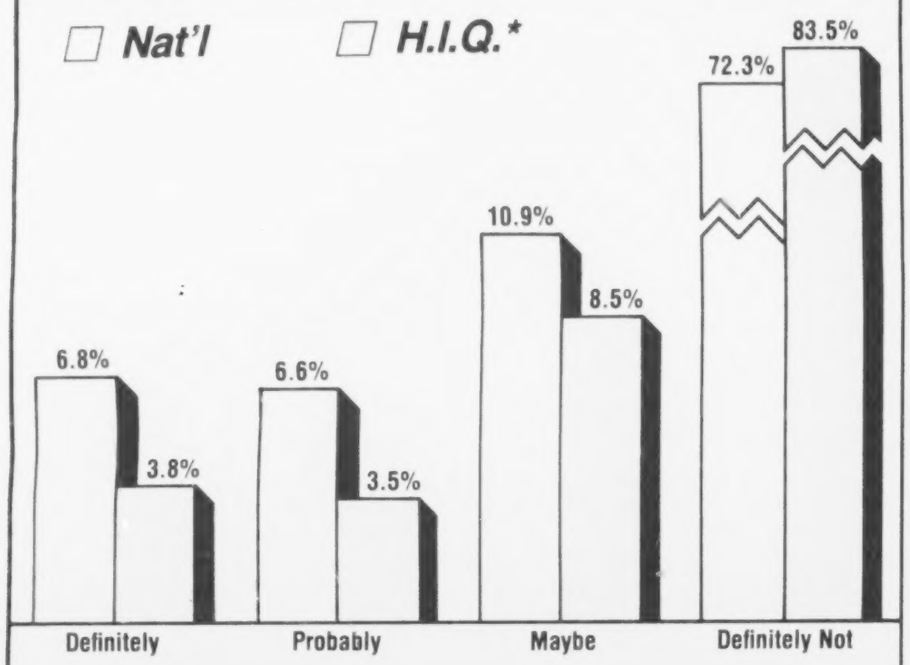
*Conservative estimate based on 4 stock turns with 2' wide display.

NHCN's 1983 Consumer Attitude Survey

CONSUMER PROFILE:

Probability of moving in next 12 months



H.I.Q.* = those respondents identified as having completed a project in past 12 months and/or planning a project in coming 12 months

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

While a relatively high percentage of those households that either completed a home improvement project of $100 or more in the past 12 months or are planning one in the coming 12 months eventually planned to move, more than four out of every five said they would "definitely not" move in the next 12 months. That figure is considerably higher than the national average and an indication that this group has a greater stake in their current residence and would probably remain in the current homes for a greater number of years.

Americans keeping their homes

(Continued from page 51)

completed a project but are already starting another in the coming year have an average seven-year tenure, again an indication that work on these homes is being done much sooner after the homeowner moves in. The fewer years in residence is perhaps because this is a more affluent and therefore more mobile group.

The survey found that, nationally, 69% of all households are owned by their occupants, whereas that figure rises dramatically to 94.4% among those households involved in a $100 or more home improvement project.

People who hire a contractor to complete this work are more likely to own their homes than DIYers (96.8% vs. 92.3%), with over 95% of these households having hired a contractor and done some of the work themselves. However, it was also evident that households in which a home improvement project was completed were more likely to be owned by their occupants (96.1%). Ninety-two per cent of those households having completed a project and are on their way to starting another in the next 12 months are owned by their residents.

How handy?

(Continued from page 51)

ters of them said that they did projects themselves.

Conversely, respondents most inclined to hire a contractor were among those who felt they were "not at all" handy; about 30% turn to professional help to complete projects.

There may be potential for home centers among the roughly 21% of the H.I.Q. group that feels it is only "a little" or "not at all" handy. Only slightly more than 5% did projects by themselves.

Too much, too little living space

(Continued from page 18)

Among those households looking to buy a home, 68.2% of the national sample and more than 4 out of 5 households involved in home improvement projects would buy a single-family home. Within the active home improvement group, 85.5% said they would conduct a $100-plus remodeling project themselves upon moving into a new home, whereas nearly 70% would hire a contractor.

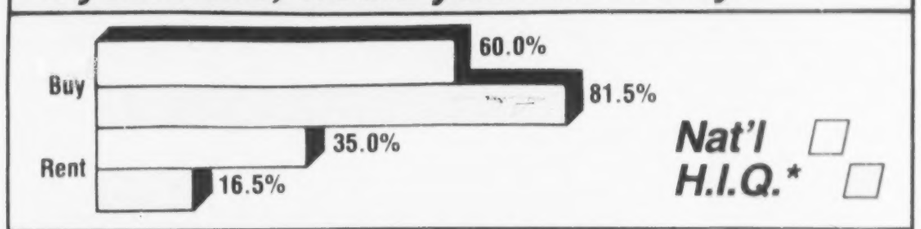
About 20% of all households would rent an apartment, 7% would buy a condominium and 2% would reside in a mobile home; among households on the move that were involved in a home improvement project, less than 10% would rent an apartment, and only 6% would move into a condo.

Outside of those who planned to move into a single family home, there was little inclination shown toward DIY activity among the active home improvement households, with a higher plurality saying that, were they to move into these other types of lodging than a single-family home, they would employ a contractor to do any remodeling.

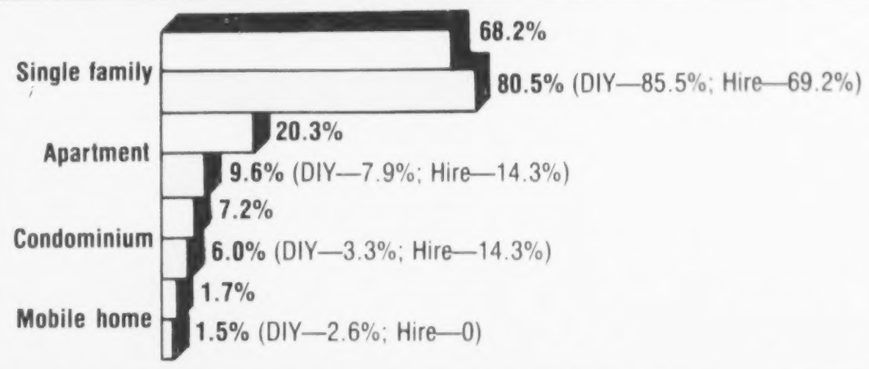
READ CLASSIFIED ADS

CONSUMER PROFILE:

If you move, would you rent or buy?



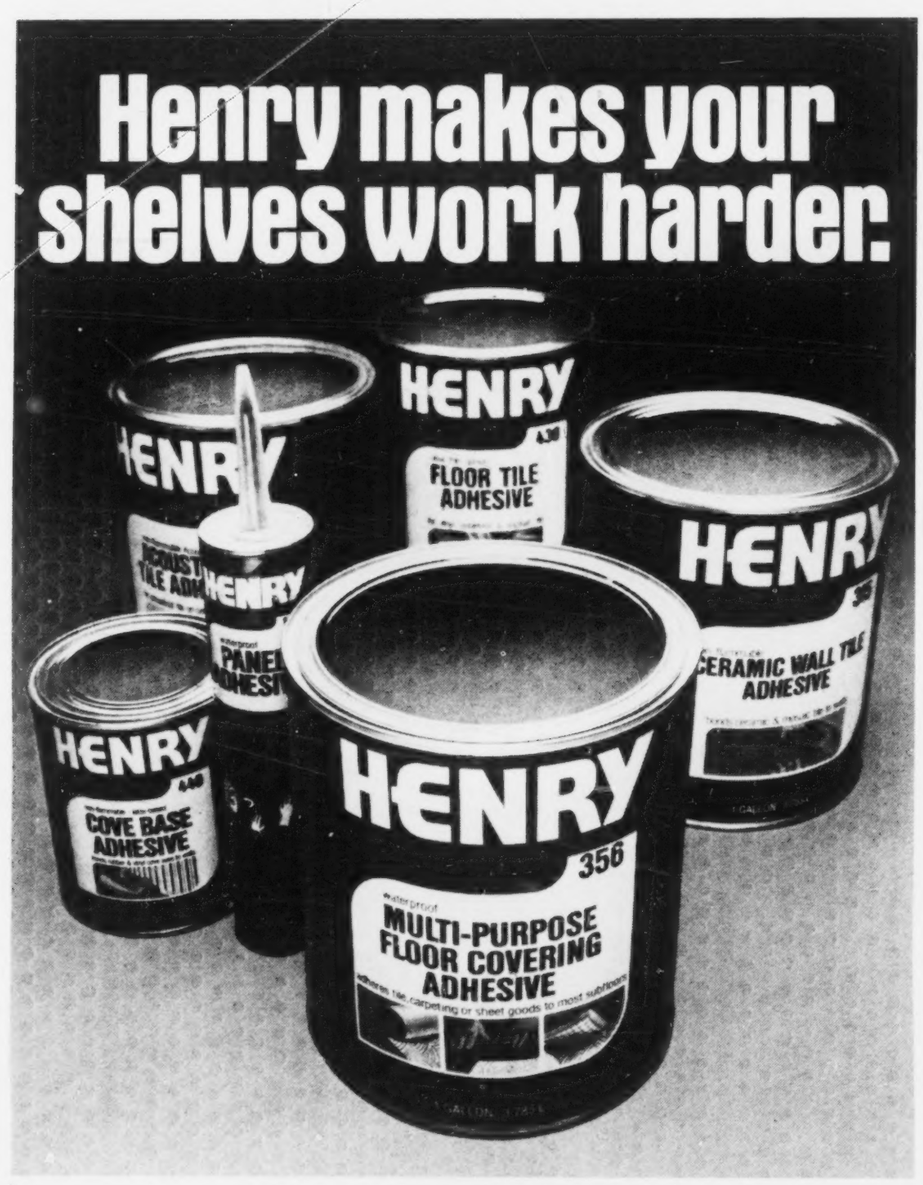
Type of home you would get



H.I.Q.* = those respondents identified as having completed a project in past 12 months and/or planning a project in coming 12 months

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

While 60% of all households said that they would buy their next home if they moved, more than 80% of the active home improvement households (those who either completed a home improvement project of $100 or more in the past year or are planning one in the coming year) would be home buyers rather than renters. Four out of every five in this group (H.I.Q.) said they would purchase a single family home, another indication of the latent demand for housing around the country.



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LUMBER REPORT

Lumber's supply and demand nearing balance

By Hawk Furman
Special to NHCN

"There is no stopping it; prices can only go higher." Comments like these, after a three month surge in the price and volume of lumber shipped, should be carefully thought through. Nothing is forever, and as with any commodity market, when it seems the best —watch out. It seems a digestion period is at hand brought about by increasing lumber production, which is meeting retail demands.

Retail sales strong

Lumber retailers are having a banner year as compared to the last three years. Builders are smiling as houses are going up everywhere. Chicago, for example, is experiencing a building rate of 150% greater than last year for single family homes. According to Advance Mortgage Corporation, the United States inventory of unsold completed houses was 74,000 in March, the lowest figure since 1972. In order not to get caught short, many retailers are buying more lumber than they currently need. Unfortunately for the consumer, builder and retailer, the median price of a new house is rising, cutting out some prospective buyers. In March 1982, the median price of a new home was $67,200; today it is $73,500.

Interest rates rising slightly

The F.H.A./VA mortgage rate has risen from 11.5% to 12% recently. With the Federal deficit taking 60% of available capital and industry starting to rebound, there could be higher interest rates as home buyers and businesses compete for funds. A 0.5% rate change affects the ability of 1.5 million persons to afford a home.

Production

Supply is the key today to price levels in lumber products. The mills in North America are seeing black ink and additional production continues to come on line. British Columbia Forest Products has announced they will start up their Victoria and Boston Bar sawmills in July. All of British Columbia Timber Ltd. mills are now up and running. Exports of wood from Canada to the United States are up 51% over last year. It is significant to note that offshore shipments from Canada are only up 5%. The prospects for a significant increase in exports to Japan, Britain and Europe are currently not good and a strong Canadian dollar makes the offshore market all that more difficult to sell. Production which is not exported ends up in North America.

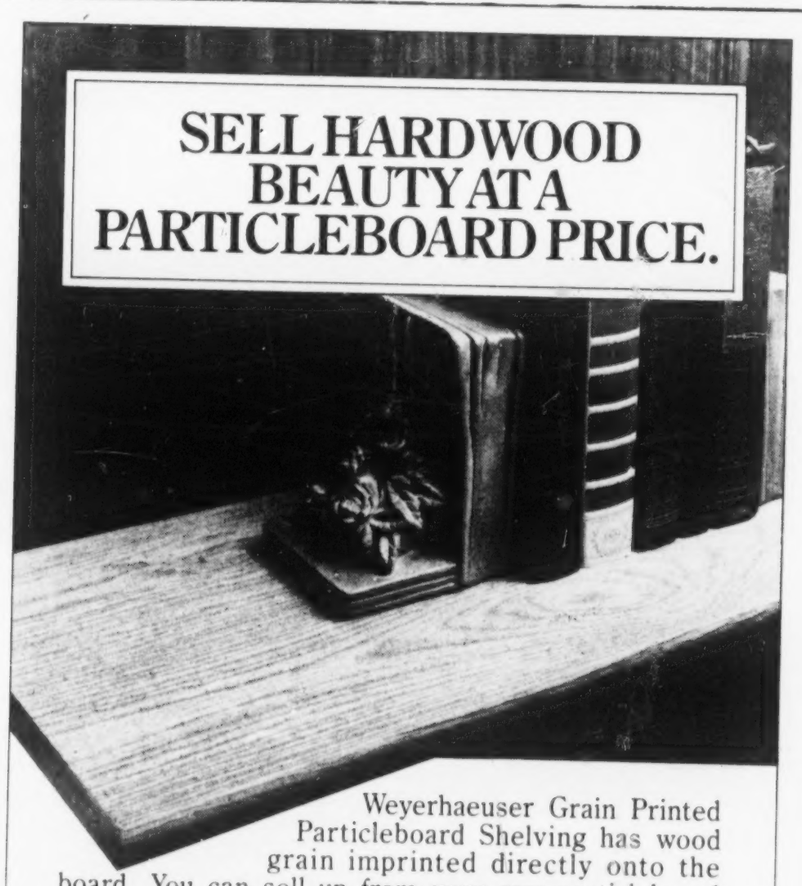
The Western Wood Products Assn. reports coastal production is up 37% over last year. The United States lumber industry labor contracts on the West Coast look pretty well settled and it seems more production will be forthcoming.

There should be plenty of lumber products to meet demand this summer unless the I.W.A., which represents 48,000 woodworkers in Western Canada, goes on strike. The general consensus is that labor and management will settle peacefully. If a lengthy strike takes place, production will be curtailed and lumber prices will escalate dramatically.

Inventories

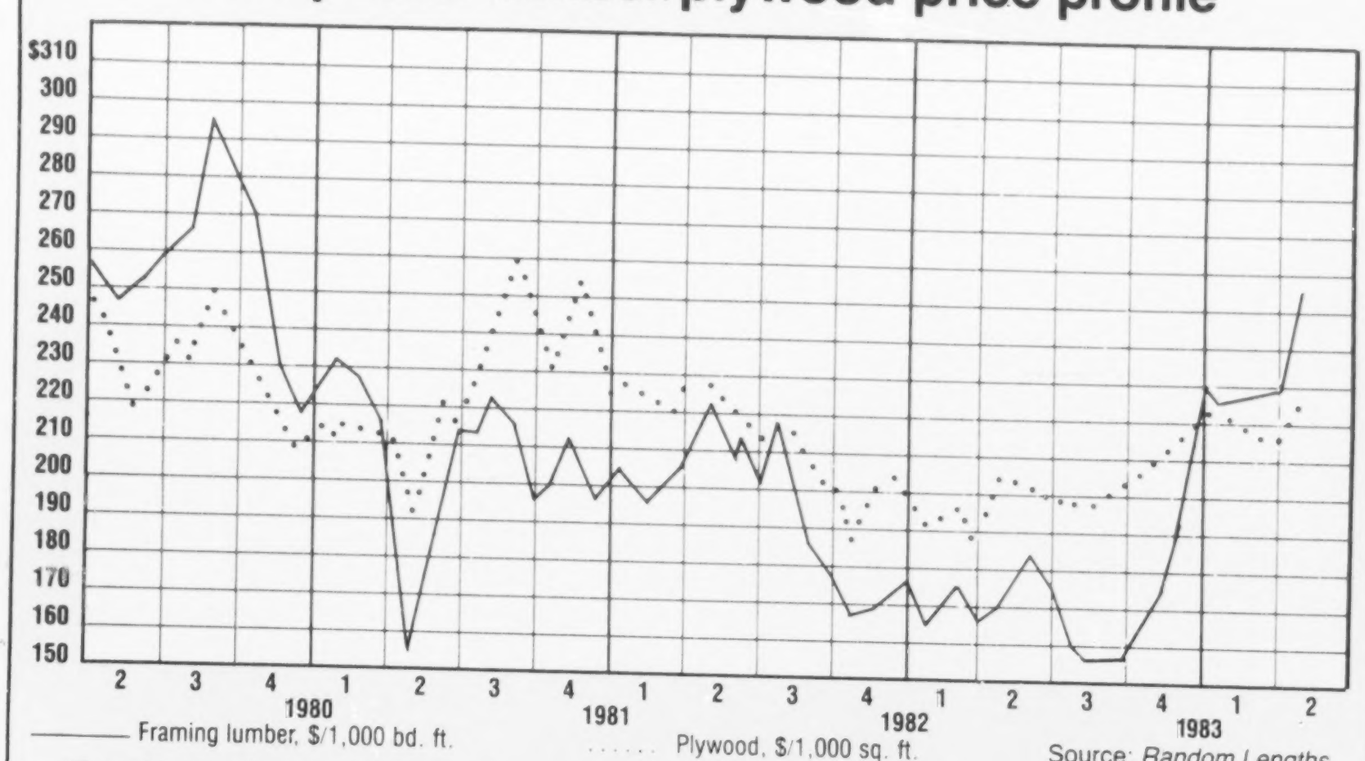
Retailers have finished their crisis buying and, in most cases, have sufficient stock for 60 days or more of business. Wholesale inventories are more than adequate to meet retail demand except in some specialty woods like cedar. Cargo lumber on the East Coast has been selling at a rate of 15 million board feet per week. There are currently over 252 million board feet on the ground or on the water. This represents a four month supply at current sales rates. Canadian border reloads and inland United States reloads are well stocked.

The lumber business is excellent and should continue to move at a rapid pace resulting in a tremendous volume of wood shipped and sold this year. Production is rapidly catching up to demand so now is not the time to speculate on price escalation. Buy the wood as you need it.



Hawk Furman, president, Furman Lumber, Boston

Composite lumber/plywood price profile



Source: *Random Lengths*

Framing lumber composite price rose to $254 in May, while the plywood composite price reached $228, based on Random Length's weighted averages of nine key lumber and seven key plywood items.

According to Random Lengths, the performance of the lumber composite has been driven by strong stud demand, an indication of increased building activity.

Between May 27 and Jan. 7 stud prices increased 40%, while the composite rose only 27% over the same period, Random Lengths noted. The May lumber composite price was at its highest level since October 1979.

Plywood prices recovered during May from a first quarter slump and reached their highest level since April 1981.

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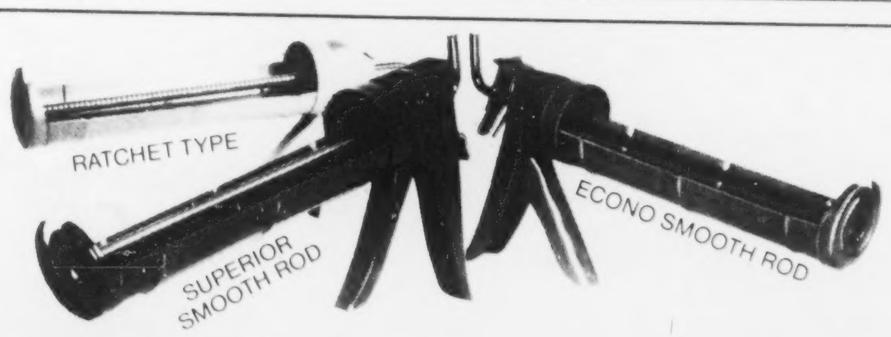

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Energy pub.produces safety slide show

CONCORD, N.H.—The publication *Wood 'n Energy* has produced a 19-minute slide-tape show to inform dealers and their customers of the proper procedures for installing and maintaining wood-burning equipment.

The full-color presentation, entitled "Wood Heat Safety" and produced in cooperation with the University of Minnesota Agricultural Extension Service, covers selection, installation, operation and maintenance along with code and technological requirements.

Further details and information are available from *Wood 'n Energy*, P.O. Box 2008, Concord, N.H. 03301.

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Forest City	4/30-1st qtr.	$72,900	$66,100	10	$1,200	$275	336
Pay 'N Pak	5/31-1st qtr.	53,885	43,944	23	1,568	953	65

*$ in thousands

Builder volume gain spurs Lowe's sales

NORTH WILKESBORO, N.C.—Lowe's is continuing to benefit from sharp gains in its builder sales volume with the four-week period ended May 27 showing a 64% increase in contractor sales from a year ago, officials reported.

Builder volume reached $59.6 million in the period. Combined with a 26% gain in retail sales to $63.5 million, Lowe's sales for May totaled $123.1 million, up 42% from the same period last year.

For the first five months of 1983, Lowe's contractor sales have grown by at least 43% each month and have outpaced healthy gains in retail volume since last October.

The improving economy and housing industry have contributed significantly to the increases, noted officials, who mentioned aggressive merchandising and better market share as additional keys.

At the 231 comparable stores open at least one year in May, overall sales were 40% better at $121.4 million than they were in May 1982.

With almost $423 million in volume through the first four months of its current fiscal year, Lowe's appears headed for its second consecutive year of better than $1 billion in volume.

New consortium buys consulting firm

PLAINFIELD, Ill.—National Lumbermen's Service Corporation, a new consortium of six midwestern lumber associations, has purchased Lorimer and Associates, a consulting firm, in a move to provide more economical services to member dealers and other home centers.

According to a spokesman for the Illinois Lumber and Material Dealers Assn., the corporate structure was chosen for two reasons. First, the nonprofit nature of individual associations prohibits them from conducting a business for profit. Second, the consulting activities of Lorimer had ranged far beyond the boundaries of any one group so a cooperative enterprise was natural, he said.

In addition to Illinois Lumber, other shareholders of the new corporation are the Indiana Lumber and Builders Supply Assn., the Mid-America Lumbermen's Assn., the Ohio Lumbermen's Assn., and the Wisconsin Retail Lumbermen's Assn.

The new corporation will retain the previous consultation charge of $175 a day plus expenses. If detailed drawings are needed they are billed at $20 an hour. Home centers who are not members of any association belonging to the new corporation are charged roughly double the member rates.

Founded in 1975, Lorimer has consulted with close to 400 of the 4,500 lumberyard and home center members of the six associations.

Collins S. Lorimer, the 74-year-old founder of Lorimer and Associates, remains as principal consultant in the new corporation. A second consultant is now being sought.

STOCK PRICES

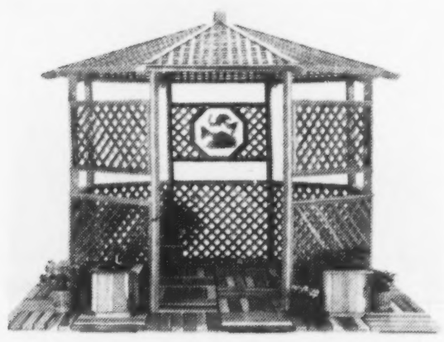
	As of 6/24	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	41½	47⅜	19⅞	104
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	16½	16⅛	4⅞	—
Forest City (AMEX)	27⅜	28⅜	11½	17
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	49¼	50⅜	28½	11
The Home Depot (NASDAQ)	27½	50½	8	—
Lowe's (NYSE)	32½	32	8⅝	36
Pay 'n Save (NASDAQ)	26¼	27⅝	8⅜	—
Pay 'N Pak (NYSE)	23⅛	24	18¾	17
Payless Cashways (NYSE) [Furrow]	33¾	34½	10⅝	16
Scotty's (NYSE)	17⅞	21⅛	9¼	19
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	15⅞	16⅜	7¼	—

Over-the-counter stocks

	As of 6/24 Bid	As of 6/24 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	19½	21½	23	8½
Hechinger	29¼	29½	38½	14⅞
Home Centers of America	11¼	11¾	12½	5
Hines Lumber	25	26½	26½	13
Scotts Seaboard [Scott's]	4¼	5½	4½	⅝
Wolohan Lumber	9⅝	9¾	10⅛	3½

NEW PRODUCTS

Patio design



Gerico, Huntington Beach, Calif., has announced a line of solid redwood products which add another dimension to patio planning. The line includes gazebos, modular decking, planters, service bars, storage benches and various other accessories. Pictured here is the victorian gazebo available in 11-ft. and 12-ft. sizes. Optional features include privacy panels of framed lattice and lattice with stained and leaded windows.

Buy the foot

Scandy Corp., Elgin, Ill., has introduced a reel dispenser display which holds bulk rolls of weather stripping. Customers strip off the exact amount they want. The display is shipped free with an assortment of six reels.

MORE NEW PRODUCTS PAGE 56

Here's Your Complete Merchandising PACKAGE.

The Ameri-Vent all fuel chimney package is designed to help you sell chimneys for oil, gas or wood-burning appliances:

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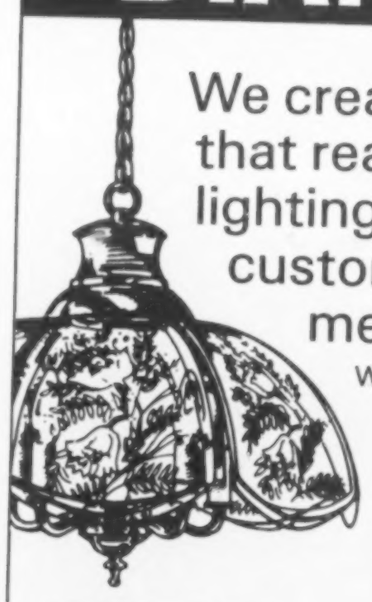

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FUTURES

Two weeks ended June 24, 1983

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
July	237.70	217.70	222.70	234.10	2,277	248.50	158.00
Sept.	236.50	221.40	226.70	234.00	3,310	240.40	163.80
Nov.	227.00	216.50	220.50	224.80	2,225	229.90	268.00
Jan. '84	230.90	225.50	225.90	228.80	499	234.00	179.00
March	234.50	227.20	228.00	232.70	252	240.50	206.50
May	234.50	228.00	229.20	232.60	78	245.50	221.00
July	239.70	231.00	235.00	236.60	31	252.50	224.60

Total Contract Vol. (Through 6/24): 32,101 — **Previous Two Weeks: 29,141**
Total Open Interest (As of 6/23): 8,672 — **Previous Week: 9,022**
Cash Price: $227.36 — **Previous Week: $223.24** — **Year Ago: $148.96**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
July	210.90	198.80	201.80	208.70	678	221.00	170.00
Sept.	210.80	202.80	205.50	208.80	810	223.90	185.00
Nov.	210.30	202.20	206.20	208.80	232	226.60	201.50
Jan. '84	212.00	203.50	208.50	209.00	71	223.00	201.20
March	213.50	206.20	210.50	210.50	32	225.00	206.20

Total Contract Vol. (Through 6/24): 1,914 — **Previous Two Weeks: 2,784**
Total Open Interest (As of 6/23): 1,823 — **Previous Week: 2,011**
Cash Price: $206.78 — **Previous Week: $208.74** — **Year Ago: $164.64**

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	248.4	245.9	236.8

CME—Chicago Mercantile Exchange
CBT—Chicago Board of Trade
*Figures for Thursday, June 23.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

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The others are behind the brick.

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- **Total merchandising support** that includes advertising, demonstrations, a co-op program and outstanding full-color point-of-purchase displays and literature designed to really move product.
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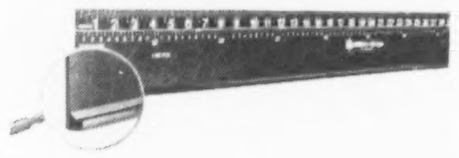
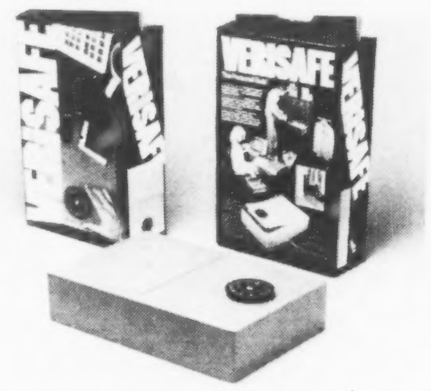


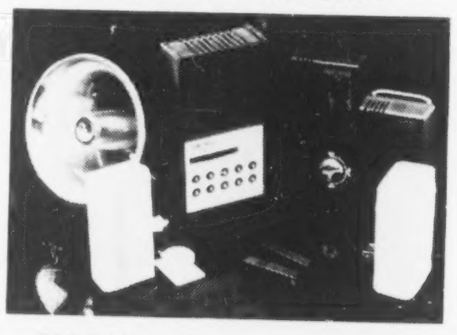
Miki Corp., West Caldwell, N.J. has introduced a cutting guide and ruler, a two-in-one idea featuring an elongated 3½-in. wide flat base plate, ruled markings with standard and metric readings along one edge and raised flange along the other edge. The raised edge serves as a linear guide for a cutting tool such as a utility knife, while providing a protective barrier to prevent slippage over the guide edge. Individually shrinkwrapped for display, the cutting guide is available in two lengths, 5-ft. and 1 meter.

Veri-safe



Tri-Bolt Industries, New York, N.Y., has announced the Veri-Safe, a personal safe small enough to be concealed in desks, bureaus, car trunks, closets, on shelves or floors. It features ⅛-in. seamless steel, and uses a unique tri-bolt locking system and internal alarm that can only be turned off from inside. The door hinge is recessed and spot welded so that the pin cannot be removed. With a 744-cu.-in. capacity, it measures 17½-in. x 11¾-in. It comes complete with required hardware and step-by-step instructions.

Protects home turf



VSI Hardware, Sylmar, Calif., has introduced an addition to its Fortress electronic home security product line. The single station door and window alarm is micro-electronic, solid state wireless, and features easy installation for DIYers. Included in the line are a pushbutton door alarm, keyed door alarm, portable door alarm, patio door and window alarm and a power failure light. The products are simple to operate, wireless, reliable, easy to install, and approved by the National Burglar and Fire Alarm Assn.

The jig is up

Economy and performance are the selling points of the new single speed jig saw designed by **Milwaukee Electric Tool Corp., Brookfield, Wis.,** for contractors, builders, cabinet makers, metal and fiberglass tradesmen.

Model No. 6245 features a powerful 3,100 strokes per min., 1-in. blade stroke for faster cutting, and longer blade life. Double-insulated, the jig saw also has a paddle switch for right- or left-hand use, unobstructed line-of-sight, adjustable blade roller guide and an exclusive blade clamp.

Homeowners DIY Centers eye nearly $3 million installed sales

(Continued from page 4)
selection of merchandise. The catalog listings include power tools, bath fixtures, kitchen cabinets, sliding wardrobe doors, window screens, doors and windows, lawn mowers and trimmers, garden tools and equipment, fencing and gates and canvas/aluminum awnings.

While Homeowners currently stocks most of those items, the catalog gives customers a broader selection, explained Reese.

"Now we have a mechanism to give the customer access to an entire line of bathtubs, for example," he added.

The breadth of selection is underscored in Homeowners' circular's pledge that "if you don't see it, we can order it."

Return on investment of installed sales/custom orders is "extremely high," Smith said. Gross margin is similar to that generated by the regular sku mix, but, Smith said, "you don't have any inventory investment and you have very little space investment."

In developing the program, Homeowners eliminated a seasonal department area to obtain sales floor space for the Idea Centers.

"Our approach to seasonal goods is to buy high-demand traffic items and blow them out at very hot prices in the early to mid-season," Smith said. "We use the main aisles of the stores as the promotional area. This generates extra traffic for those products and make a seasonal department unnecessary."

One crucial element of the installed sales program is using a commissioned salesman, Smith maintained. "He or she understands the program and is motivated to make it work," he said.

The salesman sells in a professional environment with complete working displays, catalogs and comfortable surroundings where the customer can make the purchase decision. There are tables and chairs and the area is isolated from the rest of the sales floor.

Despite the trend among a number of home center chains to launch installed sales programs, some home center executives assert that promoting installed sales detracts from DIY sales (*NHCN*, Feb. 28). But Reese disagrees: "The basic premise is that not everybody is a DIYer," he said. "The objective is to provide professional installation in order to sell the product."

The biggest sellers in the department are skylights, turbines, storage buildings and patio enclosures. In all cases, customers know what the project will cost before the work begins. Usually the price is advertised in the circular, but with some projects, such as blown-in cellulose fiber insulation, a free in-home estimate is given in advance to determine the project's cost.

All installed work includes a one-year warranty on labor. Warranties on the products themselves vary, but typically run five years or longer.

The incentive for Homeowners' outside contractors who do the work is that they aren't paid until the installation is finished.

The contractors are required to correct workmanship defects, and Reese says problems in this area "have been minimal."

Smith says that Homeowners has made "the commitment to installed sales and custom orders with floor space, displays, commissioned sales people—everything that is necessary to support a program of large-ticket installed sales."

Reese says despite the DIY orientation of the home improvement business, at least 50% of customers who buy DIY products never intend to install the items themselves, and "these are the customers who probably would go elsewhere if we couldn't entice them with our offer of professional installation." Another 25% of customers are hard-core DIYers who will tackle even the most sophisticated projects, and the remainder "can go either way—they can be sold on professional installation," Reese said.

According to Smith, the installed sales/customer orders program "will end up 1983 having one of the highest growths, both in sales and income, of any of our departments."

*Homeowners DIY Centers has launched an installed sales program. The 20%-off sign refers to an experimental pricing format being tried at its La Puente, Calif., store (*NHCN, *June 20).* NHCN photo

Stanley Works files suit

(Continued from page 4)
product he has seen had parts that were similar to those on other rule products that bore a "Made in Taiwan" stamp.

Mcfarland said Stanley's attorneys were also contemplating filing for a temporary restraining order by July 11 against the allegedly offending product's distribution and sale, although at presstime this was still in the planning stage.

Stanley's complaint alleges infringement of the company's Federal and common law trademark rights including U.S. Trademark No. 1,217,630 for the design of its Powerlock rules.

In a prepared statement, Stanley Tools president and general manager Robert G. Widham stated that Stanley intends to protect its rights through legal action against the sale of infringing rules and will demand profits on all infringing items sold as well as damages and legal fees.

Home sales at a two-year high

(Continued from page 2)
13%. Increasing rates concern both builders and realtors.

According to the NAHB, at a mortgage interest rate of 13% only 15% of Americans could qualify for a mortgage of about $54,000, if housing expenses are considered 25% of income. Each one point drop in interest rates would allow an additional million households to qualify. Using 33% of income as a qualifying standard, 29% of American households could initially qualify and a one point rate drop would add two million more.

Realtors expect to see the impact of rising interest rates reflected in June's resale numbers. So far, according to the National Assn. of Realtors, the strengthening resale market has not substantially raised home prices. In May the median price was $69,300 and overall the median resale home price rose only 2.2% in the past year, according to the NAR.

New home prices have risen more sharply though. The median price of a new home during the first quarter of 1983 was $73,900 compared to $71,600 for the last quarter of 1982, according to the NAHB. The rising costs of lumber and other commodities could greatly affect new home prices.

Stud prices, for example, rose dramatically from $170 per thousand bd. ft. last October to $257 per thousand bd. ft. in May.

The NAHB has revised its forecast of housing starts for 1983 to 1.56 million. Smith Barney analyst Barbara Alexander is predicting 1.6 million.

Survey reprints available

NEW YORK—A complete 220-page bound report with the detailed findings of *National Home Center News'* 1983 consumer survey on the home improvement market featured in this issue is now available.

The nationwide study, conducted expressly for *National Home Center News,* by Leo J. Shapiro and Associates, Chicago, includes an executive summary and analysis, along with 128 tables detailing and summarizing:

- **The consumer, and the home improvement customer;**
- **Satisfaction with today's homes;**
- **Home improvement projects over $100—including what projects households did and plan, who does the work, who decides where to buy the materials, where materials are bought, and how much households spend;**
- **Where consumers shop for 10 categories of home improvement products—including how far they travel, why they shop where they do, and how much they spend, and**
- **The consumer mood, nationally, and on making major expenditures over the next 12 months.**

The report costs $250 including handling and mailing.

For information on obtaining a copy of the complete report, please write to: Editor, *National Home Center News,* 425 Park Ave., New York, N.Y. 10022.

Scotty's to open subdistribution center in So. Fla.

DEERFIELD BEACH, Fla.—Scotty's will be operating a 250,000-sq.-ft. subdistribution center here, probably within the next year, to serve its southern Florida stores, officials announced.

The 101-unit chain has contracted for 30 acres of land in the area for the distribution facility which will eventually serve 75 Scotty's stores, including the 20 stores in the next five years the company plans for Broward, Dade and Palm Beach.

Initially, the distribution center will handle basically bulk items and some re-distribution from the main Winter Haven, Fla., warehouse, said Harold W. Taylor, senior vice president and chief financial officer.

Eventually, however, the facility, which is expandable to 450,000 sq. ft., will develop into a "full-blown distribution operation," similar to Winter Haven, Taylor added, and service stores northward to Stuart, Fla.

He envisions some cost savings in the form of lower delivery expenses to southern Florida stores when the Deerfield Beach facility is operational.

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Evans spins off retail group to pay off debt

(Continued from page 1)

May 9). The Miami financier's Sharon Steel Corp. owns 43.2% of Evans common stock. Posner's imprint became immediately apparent when eight of his hand-picked representatives were elected to Evans' 16-member board of directors in June.

Number of shares to be offered, their price and other details of the impending stock sale were unavailable at presstime pending release of preliminary prospectuses.

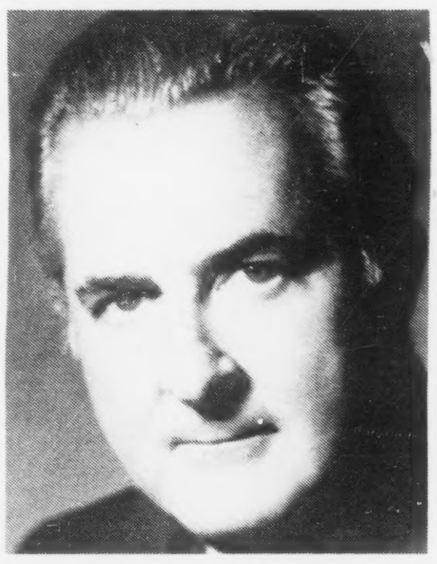
Maurice "Mike" Grossman, Evans' executive vp and president of Evans' Braintree, Mass.-based retail group, said through a spokesman that he could not comment pending Evans' filing of the S.E.C. registration statement.

However, Gerald Parsons, Evans' corporate relations vp, told *NHCN:* "I have no reason to believe there will be any major changes in the management of the [new] organization." The offering is expected to begin by late summer, he added.

Evans' retail group employs about 6,500 persons and ranks second in consumer sales behind W. R. Grace in the home center industry. It operates under the trade names of Grossman's in the Northeast, the Midwest and California; Moore's in Middle Atlantic and mid-Southern states; Lindsley in Florida; Alamo Enterprises in Texas, and Hubbard & Johnson, also in California.

"Evans' retail group is the crown jewel of its tiara," said one retail analyst. Evans lost $65 million last year due to its depressed railcars and truck trailers manufacturing and leasing businesses. But its retail group turned in an operating profit of $56.3 million on sales of $790.3 million.

The retail group continued to shine in the first quarter, post-



Victor Posner
Evans chairman

ing $1.53 million in operating profits on $155.3 million revenues. By contrast, company-wide results showed a net first quarter loss of $15.3 million.

"They're trying to take the one gem that they've got and turn it into cash," said financial analyst Orville "Reb" Forte of Montgomery Securities, San Francisco. "They're doing it [the spin off] to solve problems they have in other areas."

Specifically, Evans is burdened with $363.7 million in long-term debt and $106.7 million in short-term debt (payable within a year). Pending release of the prospectus, company officials declined to disclose how much cash they expect to raise in the stock offering. One analyst said that Monford A. Orloff, Evans' president and ceo, has said publicly that the retail group "is worth three times the book value."

Meantime, some industry observers expressed surprise at the timing of the spin-off decision. It was made a few days after Evans' annual shareholders' meeting June 8. Until the announcement, Posner's intention—as quoted in several press reports—was to expand the retail group. One company official told *NHCN:* "He changed his mind."

"A major motivation is Posner's desire to raise the value of Evans' shares," said an analyst. Shares were trading at $14 in mid-June, but Posner reportedly made his major investment when the stock was selling in the $22 to $24 range. "He's really taking a bath," the analyst commented.

While 69-year-old Orloff has several years remaining on his employment contract, the executive—replaced as chairman by Posner in April—is rumored to have an "heir apparent." In June, Evans directors named 51-year-old Walter Sieckman to the post of senior vp to "assume general managerial responsibilities," an announcement said. Sieckman has close ties to Posner and is a group vp of Sharon Steel Corp.

Hardware Show in showdown

(Continued from page 1)

have been explored, but as of the beginning of this month, Hardware Show organizers remained skeptical.

"Frankly, if it goes very badly and we have a poor experience we'll have to eliminate Chicago as a future site of the Hardware Show," said William P. Farrell, executive director of the American Hardware Manufacturers Assn., which sponsors the event.

Chicago Fest is being held Aug. 12-21. Activities will start each day about noon and run until late evening. The Hardware Show will be going on simultaneously Aug. 14-18.

To an extent, the turbulence surrounding the scheduling overlap is a shock wave from a more ferocious upheaval, the Windy City's recent mayoral election.

Chicago Fest has been held for five years, always at Navy Pier, several miles from McCormick Place, and usually ending about a week before the Hardware Show. It was apparently popular and also heavily identified with the administration of former Mayor Jane Byrne.

Harold Washington, Chicago's current mayor, decided not to have the city sponsor the festival this year, reportedly because the event was a money loser. Consequently Chicago Fest's producer, Festivals Incorp., arranged for an independent agency, the Chicago Park District, to sponsor the show. Navy Pier required extensive repair and therefore Soldier Field was selected, according to Festivals Incorp. marketing director Joe Pecor.

"We think there will be traffic problems at the Hardware Show and at our event during rush hour," he said. "We tried to put our main event after rush hour. The main shows start at 7:30 p.m. and we're considering starting them at 8 p.m."

The main events include country singer Charlie Daniels, Aug. 12; The Beach Boys, Aug. 13 and the band Chicago, Aug. 14. Pecor said that negotiations were being completed for similar caliber acts during Hardware Show evenings.

He feels that this kind of entertainment plus other rock, jazz, country, pop and blues music performances, along with food from top Chicago restaurants make Chicago Fest an attraction for hardware industry people, especially since gate admission is an affordable $8.

But it is the very popularity of such entertainment, which Pecor expects to draw up to 750,000 people over 10 days, that concerns Hardware Show organizers, who feel that swelling tides of traffic will unbearably clog roads and complicate parking.

Farrell said the hardware group proposed a three-day moratorium on Chicago Fest during the Hardware Show, with the time made up either at the beginning or end of the festival. Pecor rejected that approach as unacceptable because stadium rent and other overhead would still be incurred on the days off.

Meanwhile, the Chicago police are developing contingency plans based on the assumption that the two events will overlap. Coordinator Dominick Frigo, of the police special events section, does not anticipate major problems.

He said that Chicago Fest people usually arrive before 3 p.m. and therefore would not complicate the late-afternoon exodus from McCormick Place, which should face only the normal commuter congestion that usually plagues trips back from the show to hotels.

"Chicago Fest will not make a big impact on the show," Frigo said. "We will try to eliminate any problems even more by directing shuttle buses in different routes away from Soldier Field. It's probably something we should have done years ago anyway."

Buses bound for hotels south of the Chicago River will be kept off of Lakeside Drive to make more room on that highway for shuttles headed to the north end of the city.

"There's never been any large event in Chicago that we've been stymied by," he said.

But there has rarely, if ever, been two events of this magnitude held simultaneously in such close proximity. Frigo estimated the distance between McCormick Place and Soldier Field as two-tenths of a mile.

A lot of money is riding on both events. According to Ben Bently, director of public affairs for Chicago Park District, that agency could net $1 million.

It receives a $200,000 guarantee or 25% of the gross, whichever is greater, plus $1 from each car parked. Festivals Incorp. receives a set fee for staging the event, which costs about $5 million to put on, according to Pecor, who said that last year it netted $480,000 and over $1 million in 1981.

The mayor apparently disputes the profitability of Chicago Fest, but a call to his office was not returned.

"Our show pumps about $35 million into the economy of Chicago each August," said the hardware association's Farrell. "The mayor and governor should damn well be concerned.

"We have nothing against Chicago Fest," he said. "It's a fine event for the people of Chicago. But they should have the presence of mind not to put it in competition with Chicago's biggest trade show of the year."

1st quarter spending for TV ads

Chain	Expenditures 1st qtr. 1983	1st qtr. 1982	% change
1. Payless/Furrows*	$789,000	$191,000	+ 312
Lumberjack	106,600	85,800	+ 24
2. Builders Emporium	502,200	515,300	– 3
3. National Lumber	333,600	274,000	+ 22
4. Home Depot	304,700	163,300	+ 87
5. Scotty's	300,900	18,400	+1,535
6. Plywood Minnesota	268,400	331,800	– 19
7. Pay 'N Pak	191,000	200,000	– 4
8. Sutherland Lumber	188,300	49,600	+ 280
9. Hechinger	148,700	147,500	+ 1
10. Mr. Goodbuys	142,500	62,300	+ 129
11. Menard's Cashway	121,400	103,300	+ 18
12. Knox Lumber	105,300	—	New
13. Handy Dan	77,300	12,500	+ 518
14. Lindsley	75,600	74,600	+ 1
15. Ole's Home Centers	74,700	134,600	– 45

*Does not include Lumberjack, acquired by Payless in January 1983

Source: Television Bureau of Advertising from analysis of Broadcast Advertisers Reports data; *NHCN* chart

A survey of first-quarter TV advertising among home centers shows considerably higher spending in a period traditionally characterized by light activity.

Payless heads TV ad list

(Continued from page 1)

as a traditionally light advertising quarter. Moreover, some of the largest increases were posted by companies operating in the nation's Sunbelt.

Payless Cashways held the No. 1 spot after a 312% increase in spending, up from $191,700 for 1982. In addition, Payless' Lumberjack chain, in California, spent $106,600 in the first quarter, compared to $85,800 the year before. The 110-unit Kansas City, Mo., chain, which spent a total of $1.3 million on TV advertising last year, was ranked fourth in the year-end tally behind Builders Emporium, Sutherland Lumber and National Lumber.

Builders Emporium ranked second.

Grebe said data released by TVB stems from a first-quarter Broadcast Advertisers Report on advertising in the nation's top 75 television markets.

Hines aims for DIY sales in Chicago market

(Continued from page 3)

out a move elsewhere, he termed such a likelihood as having "not a high probability."

"Our short-term goal is to increase our do-it-yourself, market penetration and position here," he said. "Our distribution, advertising and staff is here. Right now, it's more appropriate to concentrate on Chicago."

In order to reach the goal, Hines said the company will look into opportunities of remodeling, even to the extent of rebuilding existing units if necessary as it did at 63rd Street.

Nearer at hand should be improvements in the way Hines' store personnel services customers. The company president said the chain will embark later this year on weekly and bimonthly training programs, both at the divisional and store levels and presented by vendors and company staff.

"One of the most serious and difficult problems in the industry is properly administered training programs," he said. "We have tried to cope with it with both structured and unstructured programs in the past, but we didn't have the answers."

Hines is continuing to study its overall situation. Recently, a consumer study reinforced the company's feeling that the Hines' name is widely recognized, especially for wood products, and has a solid reputation in the market.

Additional studies have been undertaken concerning store configuration and merchandising, according to Hines.

He sees the availability of management time and capital, $30 million of which came from the sale of manufacturing facilities in Oregon and timber holdings in the South in the second quarter, to perform such studies as a major asset.

Sears retail, real estate in joint promo

(Continued from page 3)

home improvement items, so we are making these more affordable through our stores."

The program is also another example of Sears' corporate goal to combine its merchandising, real estate, insurance and financial services operations into a working whole, with the retail store as the central locus. In some areas of the country, a person can buy a home from Coldwell Banker, homeowner and other insurance from Allstate, and make investments through Dean Witter and Sears Financial Network Centers, all of which have offices in a Sears retail unit.

Fairweather readily admits, though, that the discount coupon program was designed more for the benefit of the Real Estate Group, which had 1982 sales of $533 million, than the $18.7 billion Merchandising Group.

"It's a synergy of two of the company's divisions with entirely different bottom line responsibilities," he said. "The Merchandising Group is involved in the program because it sees a potential for increased sales, but the coupon redemption will, in all likelihood, account for a very small percentage of its volume."

7/24/83 CS150-64

Photo merchandising feature:
PLUMBING & BATH—pp. 13-29

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0000053

National
Home Center News

Vol. 9, No. 16 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. August 1, 1983

DIY retailers set sizzling summer sales pace

***NHCN* staff roundup**

NATIONAL REPORT—The home center industry is in the midst of what is shaping up to be a banner year, with several chains enjoying the highest summer sales in their histories.

Second quarter and first half sales were at least 20% ahead of last year for more than 20 leading home center companies contacted in a *National Home Center News* survey. This robust growth outpaced total United States retail sales which, for the month of June, hit a seasonally adjusted annualized $99.1 billion, 11.9% ahead of June 1982, according to the Commerce Dept.

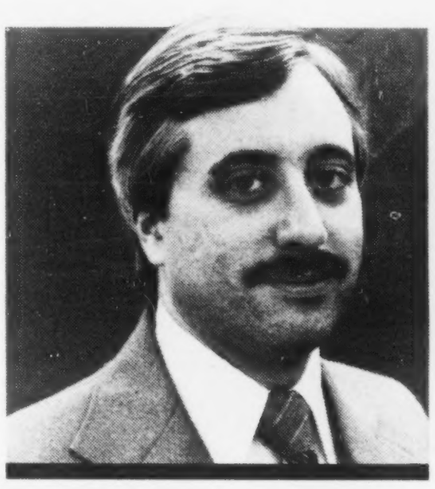
Home center operators report that consumers again appear to be spending their discretionary income more freely, even without coaxing from weekly or biweekly promotions. And, based on their sales of big-ticket products such as commodities, kitchens and baths, the retailers are also finding that their customers are showing an even greater tendency toward DIY project purchases.

A number of larger home centers had remarkable sales gains in the second quarter, with some reaching milestones for their companies:

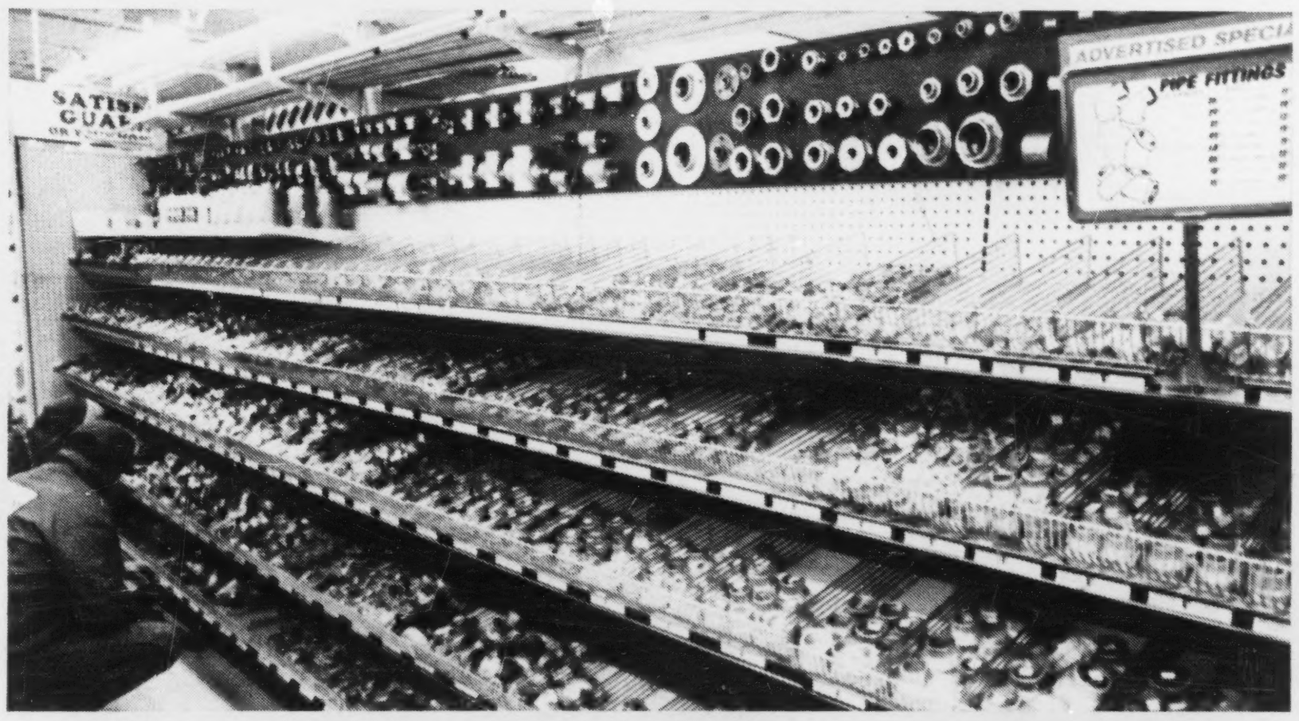
- Payless Cashways saw 52 of its 117 stores each generate $1 million in sales in June, and the Kansas City, Mo., chain had its first $100 million month. Its revenue for the second quarter rose 43% to $228.6 million, and 44% to $361.7 million in the first half of the year, compared to 1982 periods. Net income for the same period skyrocketed to $13.5 million, a 68% increase;
- Lowe's Cos. had the most successful June in its 21-year history, with sales rising 52% above a year ago to $127.4 million. During the month, Lowe's contractor business was 69% ahead of last year's. From the period of February to June, sales were $550.1 million, a 43% increase, prompting senior merchandising vp Robert Swanson to project the chain would hit $1.4 billion in total volume in 1983, a 40% gain;
- National Lumber, Santa Ana, Calif., with 12 stores, had its "first million-dollar weekend without a holiday" in the second quarter, and four of its stores did over $1 million in one month, said president Mel Jaffee. For the quarter, he said the chain was running slightly more than 20% ahead of last year;
- Phoenix-based O'Malley Lumber, which is in the process of renovating all its stores, registered a 61% sales increase in the second quarter compared to last year. According to retail sales manager Paul Conley,

(Continued on page 94)

'People are buying now not just because products are on sale.'
—Don Senne,
general merchandise mgr., Stambaugh-Thompson, Youngstown, Ohio



'Consumers are simply spending more money each time they shop our stores.'
—Robert Swanson,
sr. merchandising vp, Lowe's Cos., No. Wilkesboro, N.C.



HOME CENTERS TAPPING GROWING PLUMBING MARKET

Taking a cue, perhaps, from House Works' Harvey, La., unit, where a vast assortment of galvanized plumbing fittings is displayed in four decks of 48-ft.-long bins, dealers around the country are expanding their plumbing departments to accommodate a fuller selection of merchandise. A plumbing and bath report, and photo feature, begins on page 13.

Home center execs expect even stronger second half as hardware show nears

CHICAGO—An estimated 75,000 people are expected to pour through 2,800 exhibit booths later this month at the 38th National Hardware Show, scheduled to open Sunday, Aug. 14, and run through Aug. 19.

Home center retailers, buoyed by substantial sales increases in their stores through the first half of 1983, said they would be going to this year's National Hardware Show with the intention of finding products to beef up their inventory levels.

Paradoxically, while these same retailers almost unanimously projected even stronger third and fourth quarter sales, almost none of them said the economy would play an important factor in what products they might take on over the course of the year. Most dealers, in fact, said their attendance at the show would be "business as usual."

For the most part, home centers will be sending the same number of executives to Chicago as they did in 1982, when approximately 70,000 people attended the event to see 2,700 exhibit booths. This year's show, the 38th, will cover 660,000 sq. ft. of combined floor space at McCormick Place and McCormick Place West.

Increased attendance predictions were based on the repositioning of McCormick Place

(Continued on page 93)

Key posts eliminated

Grace dissolves home centers' div. status

By Wyatt Kash
NHCN editor

NEW YORK—W. R. Grace's home center division has been absorbed directly into the conglomerate's specialty retailing group, in the wake of Frank Denny's resignation in March as president of the home center division.

The consolidation effectively eliminates the administrative and financial functions of the home center group at the division level, and with them, the question of who would succeed Denny.

Under the new arrangement, the presidents of Grace's home center chains will now report directly to Edward H. Tutun, executive vice president and group executive of Grace's specialty retailing group.

Grace's 273 home centers last year contributed $875 million, or 66% of the group's $1.33 billion in revenues in 1982. The group, which earned $23.4 million, also operated 95 Herman's sporting goods outlets, 78 Berman's leather apparel outlets, 74 J. B. Robinson jewelry stores, and 10 Sheplers western wear outlets.

The consolidation resulted in several major executive changes affecting the home center group:

- Thomas Thorton Jr., who functioned as chief financial officer for the home center division, was named executive vice president, and chief operating officer of Grace's Orchard Supply chain. The 17-unit San Jose, Calif., operation is still headed by president, Loren Smith.
- John Milliken, the division's vice president of operations since last summer, has resigned from W. R. Grace, reportedly to pursue personal and family business interests.
- Don Campbell, according to one Grace source, will continue to coordinate national account purchasing for Grace's home center chains, but will now re-

(Continued on page 94)

NEWSBREAKS

BUILDERS EMPORIUM TO EXPAND. Builders Emporium, a subsidiary of Wickes Cos., finalized plans to add 75,000 sq. ft. to its existing 100,000-sq.-ft. distribution center. Chain president Tony Swies said the purpose is "to take care of increasing sales," which were up between 18% and 25% for the first half of the year.

INSIDE:

ESSEN HARDWARE AND LUMBER'S purchase of Village Ace gives the nine-store chain a higher profile in St. Louis ... Page 2
JOSEPH LUMBER is bowling over customers with its new DIY-oriented prototype in a Chicago suburb ..... Page 3
TWO NEW FINANCING programs help Budget Power sell consumers on large home remodeling projects ..... Page 3
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SEQUOIA SUPPLY, will be expanded by its parent, Wickes Cos., by at least two warehouses a year ..... Page 4
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HOME CENTERS will present a series of their best DIY clinics to attendees of the National Hardware Show ..... Page 6
LOWE'S EXECS Robert Strickland and Leonard Herring will be honored at the industry's annual City of Hope dinner Page 6
CLINICS, NEW PRODUCTS and better displays are helping home centers re-energize energy product sales ..... Page 32

NHCNews Briefs

Industry Update

Chicago Fest agrees to step aside to avoid Hardware Show conflict

CHICAGO—Promoters of Chicago Fest have agreed to reschedule part of their 10-day, Soldier Field celebration to avoid conflicting with the National Hardware Show at nearby McCormick Place, Aug. 14-18.

The decision early last month followed a threat by the American Hardware Manufacturers Assn. to withdraw future shows from Chicago (*NHCN*, July 18) if the festival did not shut down during the busiest Hardware Show days, Aug. 15-17. The AHMA charged that simultaneous events would result in a traffic and parking nightmare.

Several compromises were discussed and rejected as the hardware group launched an extensive lobbying effort, publicizing its ultimatum among Chicago's business community which gains an estimated $35 million from spending by Hardware Show goers.

William Farrell, AHMA executive director, said the three-day festival moratorium would avert major traffic problems. "I'm delighted we're going to have a show free of that," he said.

"We thought Farrell put us in a situation where if the Hardware Show ever left we'd be blamed," said Joe Pecor, marketing director for Festivals Incorp., the Chicago Fest producer.

"The Hardware Show did a fantastic lobbying job, putting us in a situation where we could become scapegoats," he said.

The festival has become a yearly summer event in Chicago, offering the city's population a variety of continuous musical entertainment and refreshments usually at Navy Pier. This year, for the first time, the dates and new location conflicted with the Hardware Show.

Originally scheduled for Aug. 12-21, the festival will now run from Aug. 10-14, break for three days and resume for Aug. 18-22.

2 new Home-Pro units slated

SAN ANTONIO—Home Centers of America will open two more Home-Pro outlets on Labor Day.

The expansion will give the new, warehouse-type chain a third San Antonio location and a single store in Corpus Christi for a total of four units.

The company, which was founded by several former W. R. Grace executives led by Frank Denny, opened its second San Antonio store on the Fourth of July. Denny said that sales for that weekend probably totaled about $600,000.

The company also announced results for the period ended May 29, which actually included only two days with operating stores, part of the Memorial Day weekend when the first Home-Pro was launched.

The company had sales of $354,000 with expenses of $647,000, including cost of goods, administrative expenses and preopening expenses, resulting in a net loss of $285,000.

Stambaugh casts detached unit

YOUNGSTOWN, Ohio—Ground breaking for Stambaugh-Thompson's new, 45,000-sq.-ft. prototype was expected to take place last month in nearby Warren, Ohio.

The prototype will be the first freestanding unit for the chain whose current 20 stores average about 27,000 sq. ft. According to general merchandise manager Don Senne, the larger store will basically carry a greater assortment of Stambaugh's present merchandise.

Gondolas will be 6 ft. high and the floor plan will incorporate a loop design. The debut of the new prototype, expected in late fall, follows the opening of three typical units during the past year, all part of a strategic effort by Stambaugh to be ready for the recovery, after several years without expansion during the recession (*NHCN*, April 11).

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $20 a year ($21 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 9, No. 16 August 1, 1983

Essen buys 5-unit Village Ace; doubles retail space in St. Louis

By Phillip M. Perry
NHCN associate editor

ST. LOUIS—Essen Hardware and Lumber Stores is angling for a dominant position in this competitive market with its purchase of the five-unit Village Ace Hardware Stores, which will be converted into full-line home centers.

The acquisition, consummated last quarter, gives Essen nine stores here compared with 10 Central Hardware outlets, an equal number of Hill-Behan stores and five B&B Home Supply Centers.

Essen more than doubled its total retail space with the purchase; it is now 187,000 sq. ft. The new stores are 16,500 sq. ft. to 27,800 sq. ft., roughly the same range as the original Essen units.

Volume also more than doubled to an estimated $12 million-$15 million and inventory was increased to $2.3 million from $1 million. The acquisition was Essen's biggest expansion since its inception in 1925.

"For several years we had been looking for a larger share of the market," said Max Hagerman, vice president of operations. "In five years we plan to have 15 stores."

A group of local investors purchased Essen four years ago. They waited for major expansion until the economy became more favorable, and attractive lease opportunities became available. Purchase of the five Village Ace units for an undisclosed sum was financed by a bank loan.

Attending the signing of Essen Hardware and Lumber's purchase of the five former Village Ace Hardware units in St. Louis were (seated): Wes Schnetgmeier, left, chief fund officer, and Max Hagerman, operations vp; standing: Dale Shell, left, director of stores and advertising, and Don Wennemann, merchandise manager.

Village Ace had been a family business owned by Robert and Marilyn Perkins of St. Louis.

(Continued on page 93)

Arizona showdown looms

Depot marching on Phoenix

PHOENIX—Atlanta-headquartered Home Depot has set its sights on Arizona as its newest market and is close to signing agreements to take over two former Woolco locations and a Price Club site in the Greater Phoenix Metropolitan Area.

While Home Depot officials declined to discuss their plans to establish three warehouse-style home improvement stores in Arizona, the move conforms to the 14-unit chain's strategy to target expansion in Sunbelt areas.

Home Depot is expected to open its new stores in Arizona by the end of the year after making necessary improvements in the takeover buildings, *NHCN* has learned from local retail and real estate sources. The stores are two freestanding ex-Woolco parcels—one in Phoenix and the other in nearby Mesa, Ariz.—and an existing 96,000-sq.-ft. Price Club in northeast Phoenix.

The Price Club, which has three cash-and-carry warehouses in Arizona, is relocating its Phoenix store to an ex-Woolco in a 26.5-acre shopping center. The company's president, Robert Price declined to confirm that negotiations with Home Depot are under way: "I'm not going to say yes or no because it hasn't happened yet." However, he said the Price Club relocation will be made in September and the new warehouse will open Oct. 10.

Home Depot's expected entry into the Phoenix market will see the Home Depot-style low-margin, high-volume concept compete with such well-entrenched forces as O'Malley's Building Materials Centers, W. R. Grace's Angels Home Centers and San Diego-based Handyman stores. Several strong independents also garner significant market shares.

Home upkeep spending dips in 1st qtr.

WASHINGTON—Property owners in the first quarter of this year spent about $4 billion less to maintain and improve their residential holdings, than they did in the fourth quarter of 1982.

Meanwhile, the same statistics, released by the U.S. Department of Commerce, showed that the first-quarter's seasonally adjusted annual rate of $46.2 billion was 8% higher than that of the same period last year.

According to the figures, expenditures for residential upkeep and maintenance declined from a revised, fourth-quarter high of $50.2 billion. The decline followed on the heels of a 22% spending increase that had brought expenditures up from a 1982 third-quarter low of $41.3 billion.

Revised spending estimates for the first quarter of 1982 reflected an adjusted annual rate of $42.6 billion, about $3.6 billion less than the estimate for this year's first quarter.

Actual first-quarter spending was $8.9 billion, 62% or $5.5 billion of which was spent by resident property owners with one- to four-unit properties. The remaining $3.4 billion was

(Continued on page 93)

Despite strong gains in retail home improvement spending in the first half of 1983, U.S. Commerce Dept. statistics showed that first-quarter expenditures for residential maintenance and improvement were down 8% over last year's fourth quarter. However, the figures also showed a $3.6 billion increase over the seasonally adjusted annual spending rate recorded in the first quarter of 1982. Spending for maintenance and repairs rose 3% over last year's fourth quarter, climbing from $17.8 billion to $18.3 billion.

FINANCIAL NEWS

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Lowe's	6/24-4 wks.	$127,400	$ 83,700	52	—	—	—
Payless Cashways	5/28-2nd qtr. 7/2-5 wks.	228,553 104,045	159,544 68,172	43 53	10,400 —	6,706 —	55 —

*$ in thousands

Payless Cashways crashes the $100 million sales month barrier

KANSAS CITY, Mo.—Payless Cashways, aided by 52 of its 117 stores doing better than $1 million in volume in June, recorded its first $100 million sales month during the five week period ended July 2, officials reported.

The company had sales of $104,045,000 in June, up 53% from a year ago when only 12 stores cracked the $1 million sales barrier for the month. In stores opened and operated by Payless for at least a year, the chain scored a 23% sales gain, according to officials.

The impressive results came on the heels of a strong second quarter, ended May 28, when Payless posted a 55% increase in net income to $10.4 million on a 43% sales gain to $228.6 million compared to the same quarter in 1982.

Comparable-store sales in the quarter jumped 17% on increases of 19% in March, 13% in April and 20% in May, president and ceo David Stanley explained.

He said the company attributed the growth to continued strong marketing and merchandising programs and an improved gross margin from 29.2% a year ago to 31.2% this year because of "a shift in the mix of products sold during the quarter in favor of higher margin items, not to an increase in prices."

Selling, administrative and general expenses jumped 58%, however, essentially because of the transfer of interest to rent as a result of a 12-store sales lease-back arrangement completed last September.

Both advertising and personnel expenses also rose, he added.

During the quarter, the company added two stores in Columbus, Ohio, and an outlet in Webster, Tex.

Other highlights of the period included the approval by shareholders of an increase in the company's authorized common stock from 20 million to 40 million shares and a 2-for-1 stock split, in the form of a 100% stock dividend, that was paid May 25.

Lowe's volume increases 52% for June record

NORTH WILKESBORO, N.C.—Lowe's posted its highest June sales total ever and also set a record for sales in a four-week period during the month, company officials disclosed.

In the four weeks ended June 24, Lowe's volume reached $127.4 million, 52% better than a year ago. The increase was aided by a 69% gain in contractor sales to $60.9 million and a 40% gain in consumer sales to $66.5 million.

At the 232 Lowe's stores that were open at least a year on June 24, sales rose 51% from the prior year to $126.2 million, officials at the 235-store company said.

A Fred Meyer store in Lynwood, Wash., uses an installation guide with component accessories to promote DIY sales of water heaters.
NHCN photo

STOCK PRICES

	As of 7/11	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	38⅜	47⅛	21¾	97
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	18	19	4⅞	—
Forest City (AMEX)	25¼	28⅜	11½	16
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	49	50⅛	28½	11
Lowe's (NYSE)	27¾	32¾	8⅝	31
Pay 'N Pak (NYSE)	22	24	18¼	16
Payless Cashways (NYSE) [Furrow]	31	34½	10⅝	34
Scotty's (NYSE)	17¾	21⅛	10	18
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	15	16⅜	7¼	—

Nasdaq national—over-the-counter stocks

	As of 7/11	52-week High	52-week Low	P/E Ratio
The Home Depot	28¼	53¼	25⅛	—
Pay 'n Save	27	51	16½	—

Over-the-counter stocks

	As of 7/11 Bid	As of 7/11 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	19	20	23	8½
Hechinger	27¾	28	38½	14⅞
Home Center of America [units]	31½	33¼	38	13¼
Home Centers Of America	10¼	11	12½	5
Home Centers of America [warrants]	6	6½	—	—
Hines Lumber	28	29¾	29	13
Scotts Seaboard [Scott's]	4½	5¾	4½	⅝
Wolohan Lumber	9⅛	9⅜	10⅛	3½

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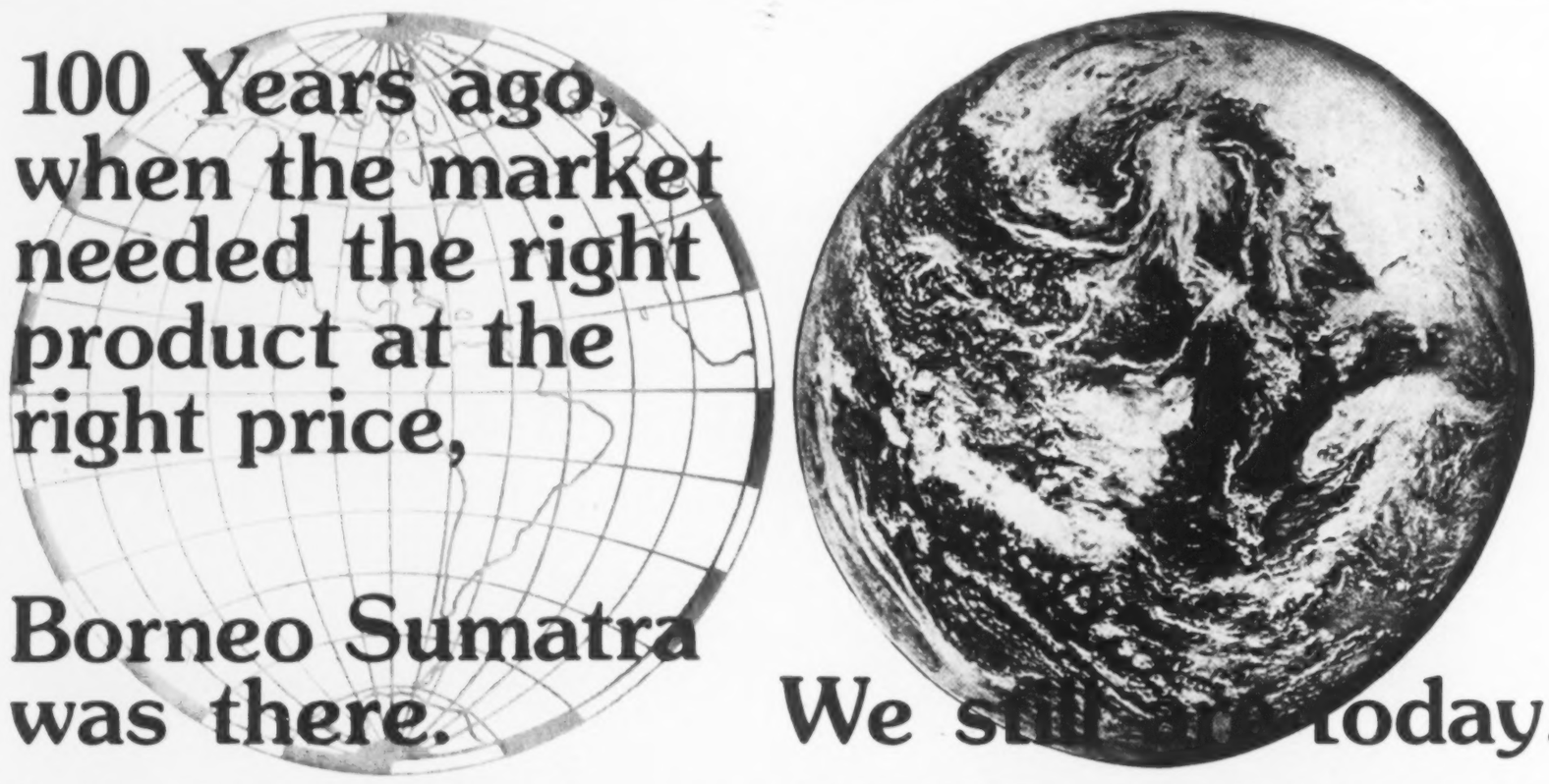

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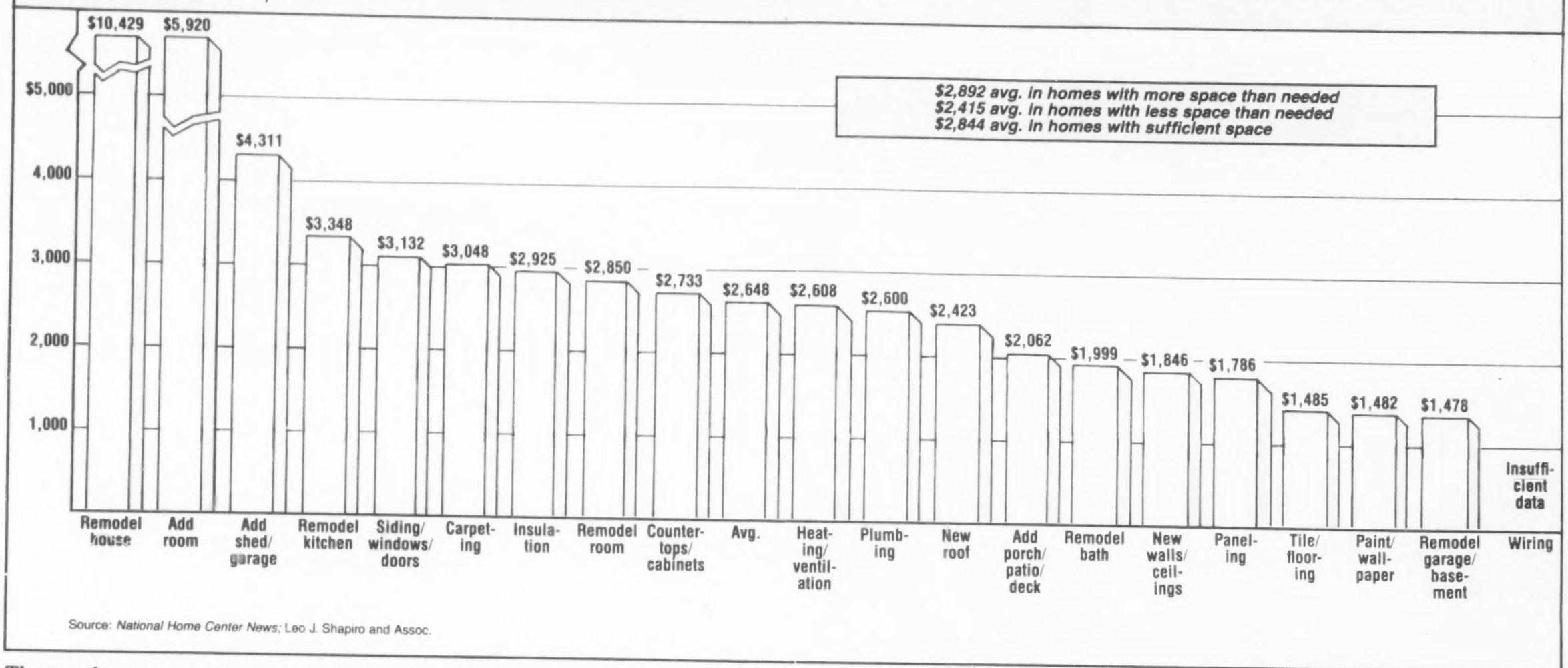
PROJECT ANALYSIS: *Rank by expenditure*



Source: *National Home Center News;* Leo J. Shapiro and Assoc.

The numbers on a project analysis chart in the July 18 *NHCN* 1983 Consumer Attitude Survey were inadvertently transposed. The corrected chart, as it appears above, shows that households that engaged in home improvement projects costing at least $100 last year spent an average of $10,429 to remodel their homes, $2,850 to remodel a room and $1,482 to paint or wallpaper a room.

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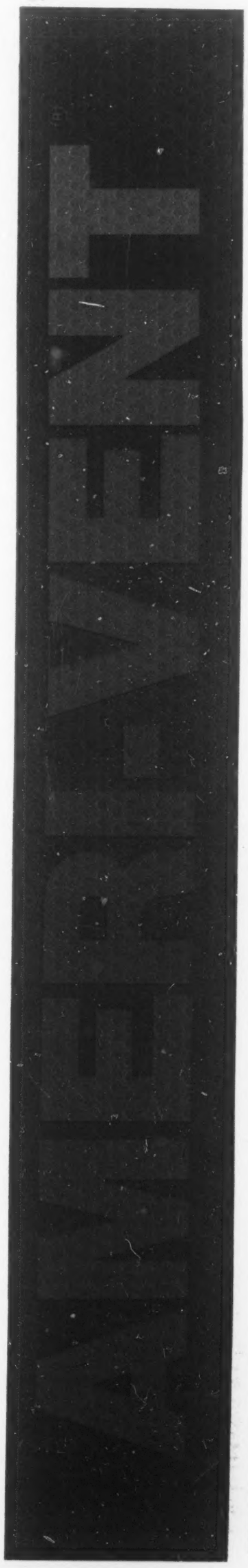

Triangle opening 75,000-sq.-ft. retail operation

WILKES-BARRE, Pa.—The Triangle Building Supply Lumber Co., a two-store independent based in Quakertown, Pa., plans to open a 75,000-sq.-ft. retail operation here sometime this summer.

Merchandise manager Kenneth Narsewicz said the new store will take shape in a former King's Department Store on the city's outskirts. The official would not divulge details of the proposed opening, however.

Narsewicz described Triangle as a company which primarily served contractors until entering the retail field less than a year ago. The firm currently operates stores in Quakertown and Bethlehem, Pa.

The proposed Wilkes-Barre store will be located less than a mile from a 95-store shopping mall which includes a 117,000-sq.-ft. Sears and a 173,000-sq.-ft. J. C. Penney. Mall officials said that while Wilkes-Barre itself boasts a population of only 50,000, the surrounding retail market area contains about half a million people.

2,000 firms expected at international expo in Birmingham, Eng.

BIRMINGHAM, England—Interbuild 83, the 40th International Building and Construction Exhibition, will be held here at the National Exhibition Centre Nov. 27 through Dec. 3. Nearly 2,000 companies from 34 countries will be displaying their products and services in more than 1 million sq. ft. of exhibition space.

The show will feature a "Design in Building" section, "Kitchens International," "Heating at Interbuild," and a woodworking machinery area, as well as the complete range of building and construction materials in clearly defined product categories, from flooring, ventilation and tiles to roofing, wallcoverings, plumbing and structural building products.

Further information on Interbuild may be obtained from Eileen Lavine, Information Services Inc., Suite 735, 4733 Bethesda Ave., Bethesda, Md. or by calling 301-656-2942.

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Hardware Industry Week

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National
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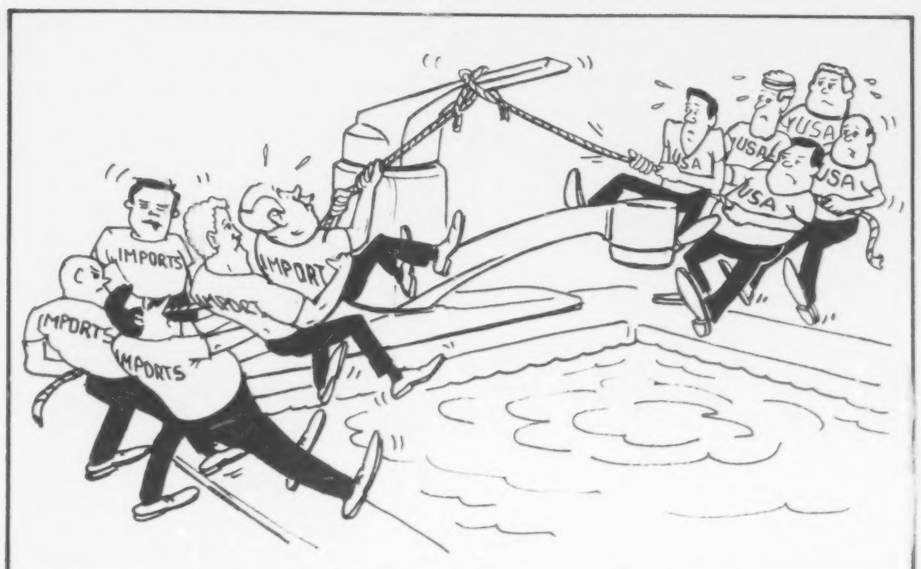
Vol. 9, No. 17 | The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. | August 15, 1983



Home centers are likely to be the primary battleground as imported faucet makers muscle in for a greater share of the $130 million retail faucet market.

Foreign faucets infiltrate U.S. home center market

By John Caulfield
NHCN associate editor

NATIONAL REPORT—While they still represent less than 2% of the $130 million retail faucet market, products made in the Orient and Europe are beginning to nudge their way into the United States arena, and home centers are taking notice.

Dealers, having found the faucet market becoming increasingly competitive, are discovering an edge may be gained by carrying lower-cost products made overseas. It's a strategy that has proved quite profitable in other product categories, although most dealers remain skeptical for the moment about the quality of imported faucets, the ability of importers to maintain a constant supply and the intensity of consumers' demand for lower-end faucets.

American manufacturers have not pushed the panic button yet, insisting their products still dominate the market and are of "far superior" quality to comparable foreign-made alternatives. In addition, some faucet makers claim that retailers actually gain very little in carrying low-end imported faucets because, they said, consumers appear to be purchasing higher-quality, more decorative lines and not shopping price alone.

But having witnessed what imported products have done once they penetrated other markets has put United States faucet manufacturers on an early warning alert. Allegations of counterfeiting, dumping, unfair prices, inferior quality, mislabeling and a raft of other indiscretions have already been raised against imported lines.

Nevertheless, most suppliers and retailers concede that foreign-made faucets will inevitably continue to make headway into the American market.

(Continued on page 82)

DIY retailers shifting gears to more expensive phones

Margins are exhausted on lower-priced lines; cordless phones hot

By David Morgan
NHCN field editor

NATIONAL REPORT—Home center officials predict that the telephone market, now dominated by low-end sales, will begin shifting toward the high end this fall as cordless models become more and more popular, especially among Christmas shoppers.

Retailing industrywide from $69 to $179, cordless phones are expected to provide Lowe's Cos. of North Wilkesboro, N.C., among others, with 35% of its telephone sales dollars this year. A spokesman for Hardware Wholesalers Inc. meanwhile said as much as 40% of the co-op's telephone revenues could come from cordless models.

Manufacturers have not said how many cordless telephones they expect the retail market to consume this year. However, they estimate total 1983 retail phone sales will run from 15 million to 22 million units, or at least $500 million. Some retailers, though, are concerned that unrestrained popularity of cordless phones could lead to major price erosions.

Market sales currently are being led by low-end, one-piece telephones, which retail at between $8 and $11.99. Scotty's Inc. of Winter Haven, Fla., for instance, reported that a quarter to a third of its unit sales this year have come from the one-piece category.

However, a West Coast retailer said sales for low-end, one-piece units could decline as early as next year, when consumers begin to lose faith in the products' quality and design. Now, retail organizations from catalog companies to supermarkets are offering the products in one form or other, sometimes at extremely low prices. One home center official, who asked not to be identified, said his company decided to get out of the product category last spring, after watching catalog houses and large discounters football the items at prices just higher than cost.

(Continued on page 88)

McNulty readies two-unit debut of warehouse formula in L.A.

By Brad Altman
West Coast correspondent

LOS ANGELES—A new warehouse home center chain called HomeClub, founded by industry veteran Robert McNulty, is set to open two 100,000-sq.-ft. membership outlets in late November.

HomeClub's debut will mark the first test of a DIY cash-and-carry warehouse retailing formula in the Greater Los Angeles Metropolitan Area.

Company officials said two more warehouses will be in operation by next spring. While capitalization reportedly totaling $5 million from three venture capital groups launched HomeClub, the chain's strategy to expand to eight-10 area units is expected to eventually require a public offering of stock.

One of the initial warehouses is a retrofitted Woolco Discount Store in an Orange County city. The second site is a recently built warehouse in the Los Angeles suburb of Norwalk, where corporate offices are located.

Both warehouses will carry a broad assortment of DIY items—some 20,000-25,000 sku's—placed on 12-ft. steel warehouse racks and gondola shelving. The full-line assortment, including building materials, will be inside under one roof and emphasis will be on well-known national brands.

HomeClub is borrowing its two-tier membership policy

(Continued on page 117)

NEWSBREAKS

SCOTTY'S DEBUTS LARGEST UNIT. The Florida-based chain announced an Aug. 6 grand opening for a 59,000-sq.-ft. store at Tyrone Square in St. Petersburg. The outlet's 10,000 sku's compare to an average 6,500 at other Scotty's units. The chain's Winter Haven store was previously its largest at 50,000 sq. ft.

WICKES LUMBER FINDS NEW HQ SITE. Wickes Lumber will relocate from its longtime home base of Saginaw, Mich., to Vernon Hill, Ill., in mid-November. About 300 employees will work at the office complex at 708 Deerpath Drive in the Chicago suburb, said Wickes Lumber gm Les Hagen.

INSIDE:

THE PATY CO. plans to reopen its Duffield, Va., unit based on the smashing success of its recently retrofitted, DIY-prototype in Johnson City, Tenn. ..... Page 2

HOUSING STARTS and new home sales dipped slightly in June after 12 consecutive months of improvement ..... Page 2

AFTER YEARS OF WRANGLING, manufacturers and regulatory agencies appear close to agreement on a set of voluntary chain saw safety standards ..... Page 3

RICKEL EXPECTS its $500,000 investment in refurbishing its Paramus, N.J., store to pay off in increased sales ..... Page 3

THERE'S A GROWING feeling in the industry that the warehouse phenomenon may be ushering in a new era of home center discounting ..... Editorial, Page 9

Newest Sears Paint & Hardware store signals the chain's convenience store penetration strategy.

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Home Depot's Bernie Marcus: turning adversity into opportunity—a profile.

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Dealers turning to private label programs to wring higher margins out of their paint departments.

Page 11

NHCNews Briefs

Industry Update

BE's promos boast '5% off'

IRVINE, Calif.—Proclaiming "We will not be undersold on any of our advertised items," 60-unit Builders Emporium—California's largest home center chain—has launched an aggressive 5%-off competitors' prices advertising campaign.

The pricing strategy appears to have been borrowed from chains that emphasize the low-margin, high-volume warehouse approach. BE may be positioning itself for the eventual debut of a Home Depot-style chain in its southern California stronghold.

BE officials were unavailable for comment on the promotion, which began in late July. The 5%-off offer requires the customer to bring in a copy of the competitor's ad showing that an identical item is lower than BE's. BE will then sell the item for 5% less than the competitor's price. BE's circular states, "And when it's on sale at Builders Emporium, you simply cannot buy it for less."

Home-Pro Houston bound

SAN ANTONIO—Home-Pro Warehouse is probably too new for its customers to have noticed, but the two-store "home improvement depot" has changed its tagline to read "home improvement mart."

Officials for parent company, Home Centers of America, would not comment on the change, except to say that chairman Frank Denny preferred the new description over the original.

The change went into effect late last month, first appearing in the chain's newspaper ads. The roadside and storefront signs at presstime had not yet been adjusted.

In a separate development, Home Centers of America president David Saks revealed to *NHCN* that the San Antonio-based chain would "very possibly be opening in Houston before the end of the year."

Home-Pro Warehouse, which opened its first store Memorial Day weekend and a second outlet July 4, is expected to open a third San Antonio store and its fourth unit in Corpus Christi, by Labor Day. Altogether, Saks indicated "at least six stores" would "very possibly" be in operation by the end of the year.

All-American to go on-line

DOWNEY, Calif.—All American Home Center will receive delivery late this month of a $250,000 Wang Laboratories central processor unit, the first step in a year-long effort to computerize the 170,000-sq.-ft. store.

Greg Fuller, assistant mm in charge of the conversion program, said 22 CRT terminals with scanning capabilities will be installed in January. The entire program will be online by next summer.

The computerization of All American's 70,000-sku's inventory will allow closer monitoring of gross profit margins, payroll, shrinkage, payable and receivables, Fuller said.

"Right now we do everything by hand," Fuller said of All American's current operational approach. "With the computerization, I will be able to recall how many hammers of a particular type I sold anywhere from the last hour to the last year."

The computer software program is being developed by Los Angeles-based Computer Business Applications. Vendor for the POS terminals had not been chosen at presstime.

3 Calif. Furrow's change names

SACRAMENTO, Calif.—Payless Cashways' Furrow Building Materials stores in Modesto, Roseville and here will convert to the Lumberjack name Sept. 1.

The name change continues the combination of seven-store Lumberjack with Kansas City-based Payless Cashways, which had operated the three Furrows stores before the Lumberjack acquisition last December.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $20 a year ($21 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 9, No. 17 August 15, 1983

Paty Co. reopening stores with emphasis on DIY sales

PINEY FLATS, Tenn.—Officials at the Paty Co., heartened by a sales increase of about 17% and a two-point margin gain at their new prototype store, plan to reopen a second unit next month with the same product mix and design.

President John Seward Jr. said the prototype represents a major shift by the 51-year-old company toward developing DIY sales. The new approach includes a 23% increase in sku's, elimination of appliances, formerly a major product category, the addition of a lawn and garden department and the reformatting of sales floors into a race track design.

The original prototype is an 18,000-sq.-ft. retrofitted unit that reopened seven months ago in Johnson City, Tenn. Besides sales and margin gains there, the company has seen newly expanded hardware and plumbing departments each increase their share of total store sales by nearly one percentage point.

The second store is a 12,000-sq.-ft. unit in Duffield, Va., scheduled to reopen by mid-September. According to Seward, Paty expects to have remerchandised and reformatted its four remaining stores by 1985. Three of the units, ranging in size from 7,500 to 13,000 sq. ft., will be expanded to 20,000 sq. ft.

In addition to altering its stores, the company has decreased its use of tabloid promotions from 12 to two issues per year, and has considered shifting its resources to radio and television over the next two years. The firm also has tightened its credit standards, reducing collection periods by 12 days to eliminate slow repayments.

"We would have done this a lot sooner, if we thought the recession would be as deep as it was and last as long as it did," the president said, referring to a drop in contractor sales that has just now begun to turn around.

Paty's contractor business, which made for 60% of the chain's sales last year, slipped $2.5 million between 1981 and 1982. Though the company's consumer sales rose an estimated $1 million for the same period, total revenue fell 4.6% to $31 million for the entire year.

Seward said that the altered store design and product mix are aimed at fostering healthier consumer sales, but not at replacing the contractor business. "We see a definite advantage in serving both the contractor and consumer," the

(Continued on page 117)

Upturn begins to level off

Mortgage rates up; housing starts down

NATIONAL REPORT—Housing starts were off slightly in June as were sales of existing homes.

Significantly, though June's numbers may mark a turning point at which housing starts and home sales begin leveling off for the rest of the year, according to housing analysts.

Interest rates have taken a turn upward, and by late July had boosted conventional mortgages to 13½%.

June also was the first time, after 12 consecutive months of improvement, that the National Assn. of Realtor's index of housing affordability dipped. According to the NAR, in June only 81.7% of families could afford an averaged-priced home. In May 84% could have made the purchase, while a year ago only 64% would have been eligible, based on the realtor association figures.

Indeed, both realtors and builders see affordability as the main issue now in predicting the strength and longevity of the current housing recovery. The National Assn. of Home Builders expects construction to remain strong through the summer but then sag because of interest rates, possibly ending the year at a seasonally adjusted level of only 1.3 to 1.4 million starts.

Ken Kerin, NAR vp of research, noted that the critical interest rate range as it relates to housing is 12% to 14%.

"At 12% there's a strong recovery. At 14% you're choking it off. We're now at the upper edge," he said.

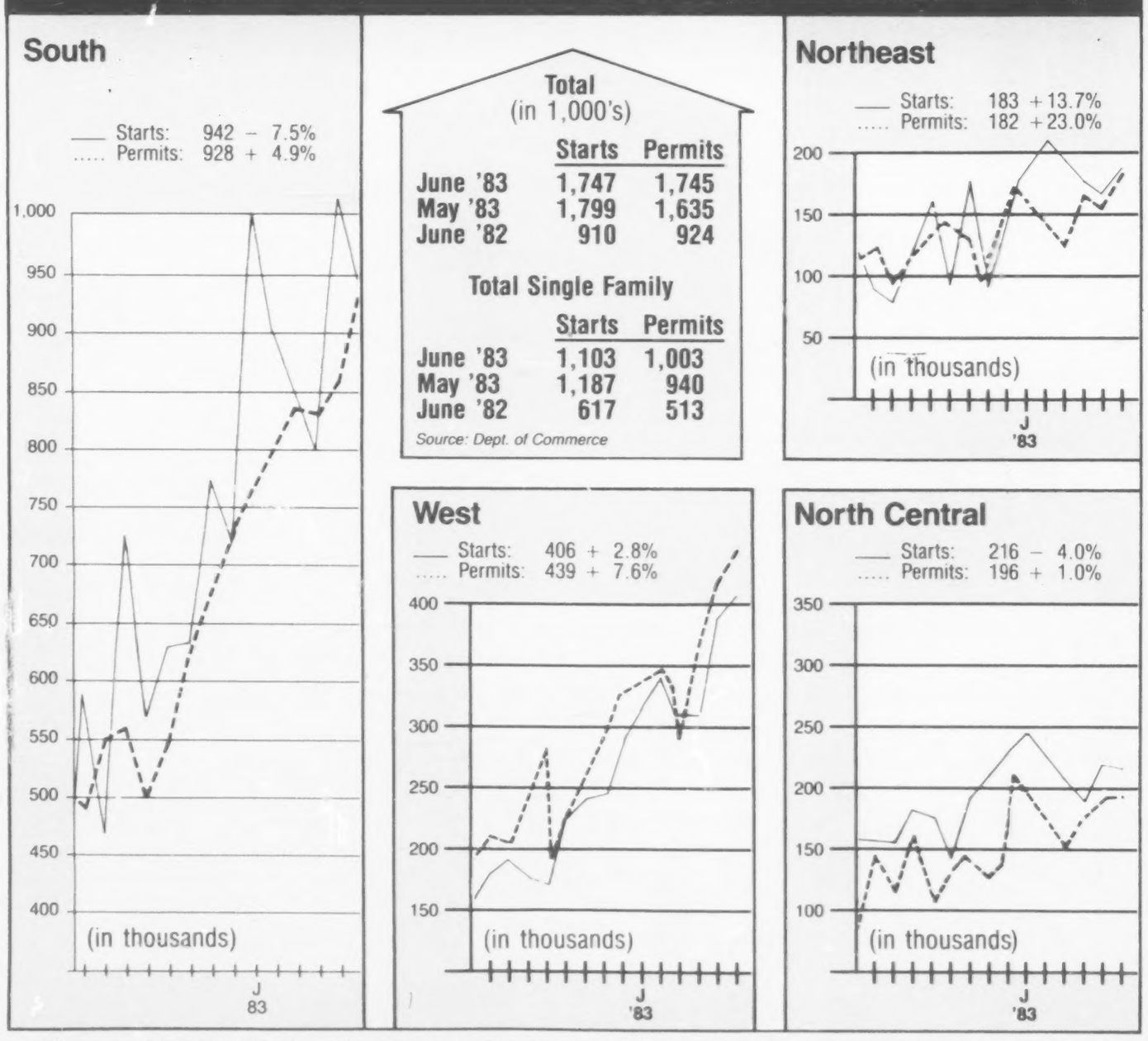
Reacting to the recent decision by the Federal Reserve Board to slightly restrict the money supply now rather than resort to more strenuous action later, Kerin added, "We can't stand any more of these creative adjustments."

Until this point the housing picture for the year has been exceptional, with seasonally adjusted total starts averaging 1.69 million compared with 926,000 a year ago, an 82% increase in activity. Seasonally adjusted single-family starts for the first half of 1983 more than doubled with a six-month average of 949,000 compared with 466,000 last year.

Averaging the figures for resales of existing homes during the past six months shows a

(Continued on page 117)

June home-building activity



After reaching their highest levels since September 1979, last month, seasonally adjusted housing starts fell by 2.46% to 1.7 million. Permits, however, were up by 6.73% from the previous month to a seasonally adjusted total of 1.7 million. Compared with last year's figures for June, starts and permits were up by 92% and 88.9%, respectively.

The Northeast recorded a sharp month-to-month increase in June for both seasonally adjusted starts and permits, while the West had a moderate increase.

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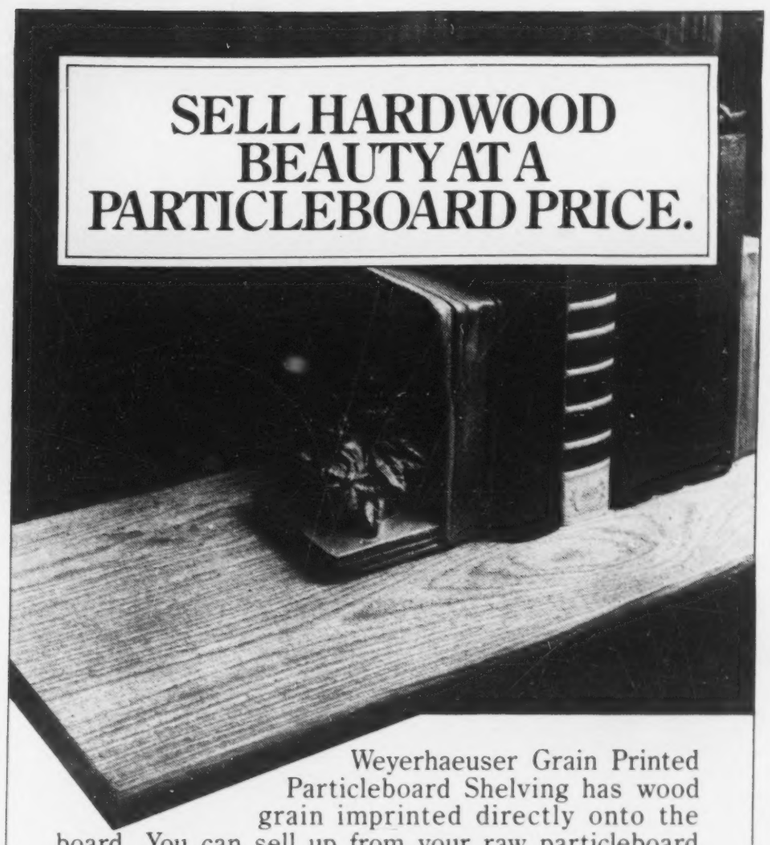

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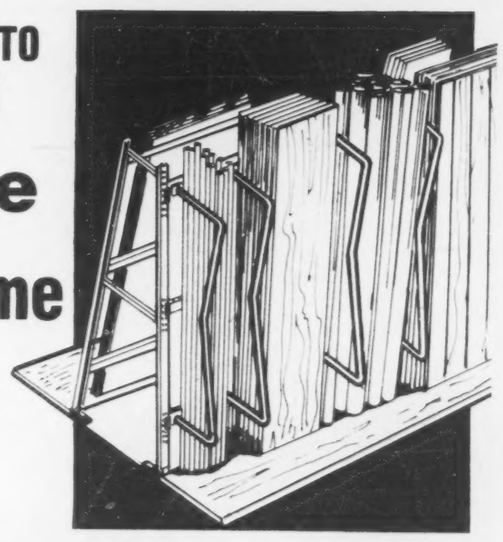

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Chain Store Guide shows:

5,800 firms doing $1M or more in home center, lumber volume

NEW YORK—An estimated 4,687 companies, with sales of $1 million or more, operate 12,059 home centers in the United States, according to *Chain Store Guide*, a publisher of retail business directories, in its 1983 "Home Center Operators and Hardware Chains" directory.

In addition, another 1,129 companies, doing at least $1 million in volume and operating 1,841 units, are classified as lumber and building material outlets.

Chain Store Guide defines a home center chain as a company selling wood products, hardware-related items and other household decorating and furnishing goods with its sales predominantly to do-it-yourselfers.

A lumber and building material outlet is classified as a facility with a significant portion of its sales in lumber, but also selling building materials and some hardware-related products. The firms sell predominantly to builders.

The home center classification is broken down into 1,145 multistore companies operating 8,517 outlets and another 3,542 single-unit independents.

There are 800 single-unit independents in the lumber and building materials category. The rest of the 1,041 outlets are owned and operated by 329 companies.

Overall, the directory lists 6,502 companies operating 23,617 stores.

Type of retail company*	No. of companies	No. of stores	No. of one-store independents
Home centers	4,687	12,059	2,542
Lumber/building materials	1,129	1,841	800
Hardware	518	5,641	N.A.
Specialty paint	168	4,076	N.A.
Total	6,502	23,617	—

*Companies must generate sales of at least $1 million

Source: *Chain Store Guide*, Lebhar-Friedman Inc. 1983

The publication says that 518 companies, doing at least $1 million in volume and operating more than one store, run 5,641 hardware stores while another 168 firms have 4,076 specialty paint units.

In addition, the nation's 24 buying groups listed in the directory service about 83,000 stores, selling home improvement merchandise, including many in the above classifications.

Of the home center, lumber, hardware and specialty paint companies, 6,036 carry hardware, according to the directory, 5,666 firms offer lumber and millwork while 5,420 provide paneling and plywood.

The other wall decor products can be found in better than 4,000 companies each. Those companies that carry paint number 4,429 and those with wall coverings within their selections total 4,193.

Electricals are offered by 3,657 of the firms while lawn and garden can be found in 2,787 companies, floor covering in 2,538, power tools in 2,431, hand tools in 2,313, masonry, siding and insulation in 2,160.

The directory lists 25,000 chain executives from chairmen and presidents to buyers, and 49 different product categories identified in the individual company listings. In addition, companies are highlighted in U.S. Dept. of Commerce Standard Metropolitan Statistical Area (SMSA) maps for each state, and an index of chain headquarters-by-county within each SMSA.

State editions of the directory are also available.

Chain Store Guide is a subsidiary of Lebhar-Friedman Inc., which also publishes *National Home Center News*. Its directory is available for $139 by writing *Chain Store Guide*, 425 Park Ave., New York, N.Y. 10022.

Number of DIY firms carrying the following product lines:

Hardware	6,036	Auto paints & polishes	542
Lumber/Millwork	5,666	Sporting goods	401
Paneling/Plywood	5,420	Auto replacements parts	373
Paints	4,429	Home decor	258
Wall coverings	4,193	Auto electrical	242
Electrical supplies	3,657	Auto accessories/customing parts	137
Lawn & Garden supplies	2,787	Bicycles/wheel goods	223
Floor coverings	2,538	Household chemicals	198
Power tools	2,431	Outdoor power equipment	187
Hand tools	2,313	Unfinished furniture	139
Masonry/siding/insulation	2,160	Pet supplies	138
Plumbing equipment	2,051	Auto audio/electronic	137
Housewares	1,631	Seasonals	127
Cabinets/vanities	1,570	Work clothing/uniforms	126
Fireplaces/stoves	1,072	Radios	85
Heating equipment	971	Live nursery	78
DIY books	944	Mechanized farm equipment	57
Farm supplies	747	Hobbies/crafts	52
Barbecue equipment	745	Stereos	51
Auto oil/lubricants/chemicals	725	Video games	41
Cooling/air equipment	725	RV equipment & supplies	36
Small appliances	669	Marine equipment & supplies	32
Auto cleaning products & accessories	647	Home computers	26
Seeds/fertilizers/chemicals	607	TVs	23
Major appliances	602		

Source: *Chain Store Guide, 1983*

A new study by directory publisher Chain Store Guide *shows that 5,666 companies out of 6,502 listed in the 1983 Home Center Operators and Hardware Chains directory carry lumber.*

A wide variety of paint sundries is neatly grouped by size, price and quality at the Wauwatosa, Wis., Hal's Hardware and Lumber.

NHCN photo

MERCHANDISING '83

High utility costs promise to fuel 25% rise in energy product sales

NATIONAL REPORT—By the end of this year, sales of energy products will have increased an average of 25% over 1982, according to vendor reports.

Like home center buyers, manufacturers report a decline in the rate of increase for energy product sales because consumers are no longer panicking over energy costs. Even so, utility bills remain high around the country and energy product sales continue to increase, although at a more modest rate.

Manufacturers' appraisals of current year sales of energy products appear to be more optimistic than those of home centers (*NHCN*, Aug. 1). The reason appears to be that a portion of the faster growing categories of energy products pass through specialty stores and other outlets, competing increasingly with home centers for a piece of the market.

Solar heaters are expected to be the fastest growing category, according to a cross section of manufacturer dollar sales projections (see chart). However, nearly all of them are sold through specialists who also install them for consumers, rather than through home centers, according to manufacturers.

Meanwhile, although three categories of insulation are expected to grow at a rate of 25% annually, a larger portion of the product is expected to pass through contractor yards selling commodities for new housing rather than through home centers positioning themselves for do-it-yourselfers.

Ceiling fans, meanwhile, are expected to increase sales by 25% this year, but with sales increasingly coming through discount and specialty stores.

Estimates were based on a survey of leading manufacturers in each category, asked to make industrywide projections. Not all wished to reveal their projected estimates.

Fiberglass insulation, the best-selling category in terms of expected revenue in 1983, should increase by 25% over last year. The Manville Corporation said it expects industrywide sales to top $1 billion. Reflecting only residential sales, these figures exclude mobile home insulation and foam board.

Wood stoves, while accounting for the second most popular category of energy products in terms of expected sales, seem to be reaching a plateau. *Alternative Energy News*, which tracks sales of this product, expects sales this year to increase 10% over 1982.

Kerosene heaters, growing at 18% this year according to industrywide estimates by Glo-International, have narrowed the gap behind wood stoves.

Solar heaters, of the medium temperature variety used primarily for hot water heating, however, will grow in sales at the rate of 50%. According to Rom-Aire Solar, low temperature solar heaters, used primarily for pool heating, are either stabilized or declining in sales. Because of the plumbing and carpentry involved, most solar systems are installed by specialist firms.

Industrywide sales of ceiling fans should total $675 million, from an estimated seven million units this year, according to Moss Manufacturing. Other manufacturers would not comment. The total market potential is estimated at 360 million, with 20 million fans already installed, Moss officials estimate.

Mineral wool insulation, increasing at 25% over last year, should top $250 million in sales. These figures represent residential use only and exclude mobile home insulation as well as foam board.

Expanded polystyrene foam board, used increasingly by do-it-yourselfers, will sell at a rate 25% higher than last year, according to one manufacturer, Celotex. Other foam board types, such as polyisocyanurate and extruded polystyrene, are half again as expensive and thus are seldom used by DIYers.

Solar film sales, which totaled only $2 million in 1974, should reach $30 million this year, according to one supplier, Metallized Products. About 75% of the film goes through Sun Belt retailers.

Energy product sales
(in $ million retail)

Product	1982	1983	Per cent increase
1. Fiberglass insulation	$800	$1,000	25
2. Wood stoves	814	895	10
3. Kerosene heaters	720	850	18
4. Solar heaters	550	825	50
5. Ceiling fans	540	675	25
6. Mineral wool insulation	200	250	25
7. Foam board insulation	170	250	25
8. Caulking	125	150	20
9. Weatherstripping	80	90	13
10. Solar film	26	30	15

Fiberglass insulation is expected to take a confortable lead in the 1983 race for consumer energy dollars, according to energy industry projections. Solar heaters will narrow the gap behind kerosene and wood alternatives.

Sources, notes:
Estimates from July 1983 NHCN survey of manufacturers asked to make industrywide projections; not all wished to reveal their estimates. 1,6: Residential use only, excluding mobile home insulation and foam board; The Manville Corporation. 2: Alternative Energy Retailer survey. 3: Glo-International. 4: Medium temperature heaters only; Rom-Aire Solar Corp. 5: Moss Manufacturing. 7: Expanded polystyrene only; Celotex Corp. 8: U.S. Gypsum. 9: Stanley Hardware. 10: Metallized Products. NHCN Picture: Somerville Lumber, Somerville, Mass. NHCN chart

Expect shoppers to buy costly cordless phones as holiday gifts

(Continued from page 88)

add another six sku's to its telephone line by this fall. Thompson said that although he is mainly interested in adding basic models, he also wishes to bring in a low-end cordless telephone which would retail at $62.

"The cordless phone will be the Christmas phone, because everyone is looking for the kind of gift that people don't have," Thompson speculated. "But I don't think the average person is going to spend $99 on impulse these days, if he's not looking for a gift.

"I think that you have to have the low-end covered too, if you're going to bring people in everyday."

Thompson, like HWI's Gilbert, expressed confidence that the basic telephone ultimately will provide retailers with their staple in phone sales. Half the chain's current assortment features basic telephones, six of which are manufactured by GTE. Prices range from $21.99 to $49.99.

"I think lots of people are accustomed to the conventional phone and know it will hold up," Thompson said. "The GTE phones are more expensive, but are probably engineered better and will hold up longer than cheaper models."

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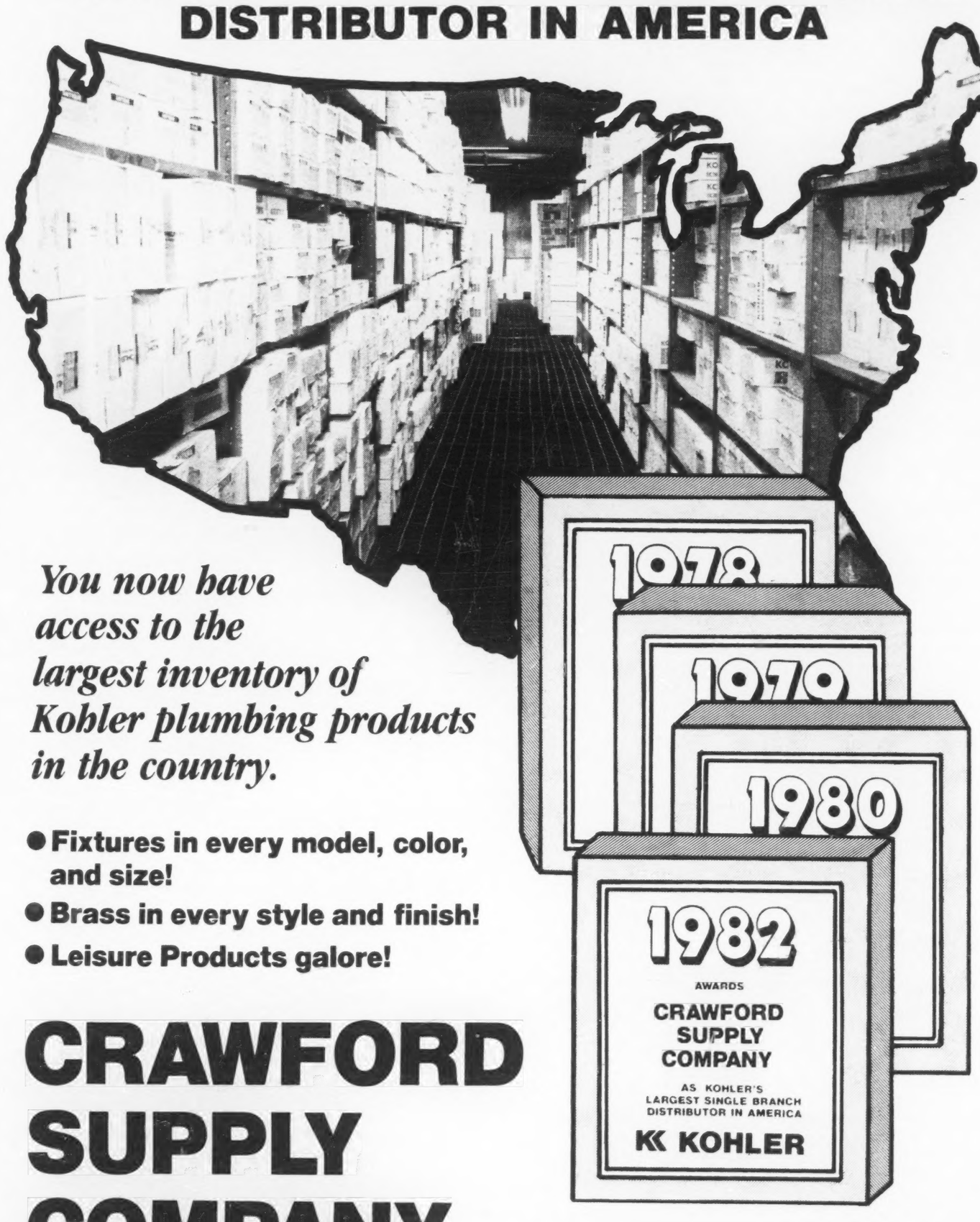

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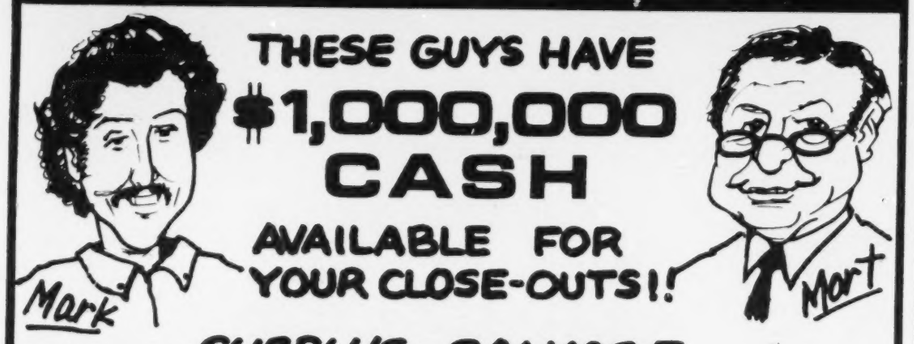

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FINANCIAL NEWS

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Boise Cascade	6/30-2nd qtr.	$ 869,490	$ 740,910	17	$16,970	$ 8,440	—
Evans Products**	6/30-2nd qtr.	260,521	228,072	14	24,973	19,064	31
W. R. Grace	6/30-2nd qtr.	1,605,642	1,632,503	– 2	40,504	76,980	– 47
Scotty's	7/2-5 wks.	40,015	37,012	8	—	—	—

*$ in thousands
**includes revenues and operating income for retail division only

Evans Products' sales, income climb

PORTLAND, Ore.—Evans Products' retail group set quarterly record highs for revenues and earnings during the second quarter ended June 30, company officials said.

Operating income for the division rose 31% to nearly $25 million on sales of $260.5 million, up 14% from the second quarter of 1982. Officials pinned the performance, in part, on the pickup in new housing activity and the general recovery.

Overall during the quarter, however, Evans Products remained unprofitable despite posting its first profitable month in June since November 1981. The company recorded a net loss of $3.7 million, slightly higher than the $3.5 million net loss of a year ago, on a sales drop of 3% to $352.9 million.

Second-quarter, pretax earnings from continuing operations, before nonrecurring items and unallocated interest and other expenses, rose 24% to $18.1 million in the period. The unallocated interest expense fell 24% to $18.4 million because of lower interest rates.

The company also experienced a $1 million extraordinary gain from the utilization of previously unrecognized net operating loss carry forward, attributable to Canadian operations, which offset income tax expense of the same amount.

In another development, Evans' board of directors has authorized the redemption of 142,757 shares of its $1.40 cumulative junior preferred stock on Dec. 1. Shares selected for redemption will be redeemed for $15.50 per share plus an accrued dividend of 35¢ per share.

Under mandatory provisions, 5% of the initially issued 2,855,145 preferred shares are to be redeemed on Dec. 1 of each year.

2nd quarter gain at Boise

BOISE, Idaho—Lower mortgage rates, growing consumer confidence and improved weather, which aided new home building activity in reaching its highest levels since 1979, all helped build profits for Boise Cascade's building materials distribution and wood products businesses in the second quarter, according to officials.

The building materials sector, which includes the company's 93 retail outlets, posted "a good increase in profitability" in the quarter, officials said. The division lost money a year ago and made a "small" profit in the first quarter of this year.

The wood products business posted a "modest" profit, the first for the division in two years, according to officials, who noted that profit margins remained tight in the period.

Overall in the second quarter, Boise Cascade had net income of almost $17 million compared to an $8.4 million net loss in the same period last year while sales were up 17% to $869.5 million.

Scotty's posts 5-wk. sales gain

WINTER HAVEN, Fla.—Scotty's reported sales of $40,014,905 for the five weeks ended July 2 to push sales for its 1983 fiscal year to $358,980,593, or 17% better than a year ago, officials reported.

Chairman and ceo James W. Sweet said the fiscal year ended July 3, 1982, contained 53 weeks, while the fiscal year just ended had only 52 weeks. On a comparative basis for 52 weeks, the 102-store chain actually showed a 19% sales increase for fiscal 1983.

In addition, sales for the five weeks ended July 2 were up 29% from the five weeks ended July 3, 1982.

Business has been helped by a resurgence in contractor sales. Builder volume had increased by almost 60% in March, April and May compared to the same months of 1982, thanks in part to Florida's economic and housing recovery, president Ray H. Cooney said.

STOCK PRICES

	As of 7/21	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	39¾	47⅜	21¾	27
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	18¾	19½	4⅞	—
Forest City (AMEX)	26⅛	28⅜	11½	16
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	45⅜	50⅜	28½	13
Lowe's (NYSE)	29¼	32¾	8¾	33
Pay 'N Pak (NYSE)	20⅝	24	18¾	15
Payless Cashways (NYSE) [Furrow]	32¼	34½	10⅝	35
Scotty's (NYSE)	16¾	21⅛	10¼	17
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	14⅝	16⅜	7¼	—

Nasdaq national—over-the-counter stocks

	As of 7/21	52-week High	52-week Low	P/E Ratio
The Home Depot	26⅞	31⅛	4⅝	—
Pay 'n Save	25¾	27⅝	8¾	—

Over-the-counter stocks

	As of 7/21 Bid	As of 7/21 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	18	20	23	8½
Hechinger	26½	26¾	38½	15⅛
Home Centers of America [Units]	29½	31	38	13¼
Home Centers of America	9½	9¾	12½	5
Hines Lumber	29¾	30½	29¾	13
Scotts Seaboard [Scotts]	4⅝	5¾	4⅝	⅝
Wolohan Lumber	8⅞	9	10⅛	3½

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McNulty preps 2-unit warehouse debut in L.A.

(Continued from page 1)
from the highly successful Price Club, the San Diego-based operator of eight discount merchandise warehouses in California and Arizona. The only membership qualification at HomeClub is payment of an annual membership fee that officials would not specify. Unlike the Price Club's members-only approach, nonmembers will be welcome to make purchases at HomeClub but they will pay an additional 5% surcharge on the price posted in the warehouse.

Company officials believe the membership format will reinforce HomeClub's wholesale image for exclusivity and low prices.

The 36-year-old McNulty is an ex-W. R. Grace home center division executive and was president and coo of 12-unit Neiman-Reed's Lumber City for one year until his July resignation (*NHCN*, July 4). Lumber City's stronghold is the San Fernando Valley which is outside HomeClub's prime market.

McNulty is HomeClub's president and ceo. Other principals are George Handgis, 31, executive vp-merchandising. Earlier this year Handgis resigned as head of merchandising for W. R. Grace's western region home center operations.

HomeClub's executive vp-finance is Jim Abrams, 38, a CPA who has been a cfo for a specialty apparel chain. At presstime, names of warehouse managers were not available.

The warehouses will be open 13 hours daily and employ about 100 persons each. They will emphasize the no-frills look—exposed HVAC systems and concrete floors—with a minimum of design embellishments.

Officials expect the customer mix to include contractors and homeowners but a projected ratio of contractor-consumer sales has not been made. McNulty noted HomeClub's "heavy commodity emphasis," but declined to specify the amount of floor space to be devoted to various merchandise categories.

The key to HomeClub's success will be its ability to keep gross profit margins substantially below the industry average of 34%. HomeClub expects that its reliance on a strong membership base means that the chain will not need to make heavy advertising expenditures. Initially, however, HomeClub plans a media blitz to anounce its grand opening.

Each warehouse will have 15 POS checkout terminals connected to a main computer that will monitor inventory levels and sales volumes. Computerization will offer HomeClub daily updates on its P&L balance sheet as well as an automated re-order inventory replenishment system.

McNulty said HomeClub will buy centrally from manufacturers and ship directly to each store. Containers will be un-

Because HomeClub will need high volume—in the $750,000 to $1 million monthly range—to meet its expansion goals, officials are betting that a large percentage of customers will come from outside a five-mile radius. In general, DIY shoppers in southern California are price sensitive and not loyal to one particular chain, which will work to HomeClub's advantage initially as it tries to build market share.

How competitors will respond to the HomeClub threat is not clear. Some observers say a price war could develop. HomeClub's Norwalk location is within three miles of a 50,000-sq.-ft. National Lumber, the 170,000-sq.-ft. independent All American Home Center and—across the street—from a 30,-000-sq.-ft. Angels Home Center.

National Lumber now has the largest stores in the market, and the lowest-price impression. HomeClub will need to supersede National as the price leader, and thus a showdown battle is looming.

"HomeClub will be competitive in the marketplace on a day-in, day-out basis," McNulty said. As for HomeClub's growth potential, McNulty noted the company logo: "America's Do-It-Yourself Warehouse." "It sure as hell doesn't say 'L.A.'s DIY Warehouse,'" McNulty joked.

Industry veteran Robert McNulty plans to open two 100,000-sq.-ft. membership-only warehouse home centers in Los Angeles in late November. NHCN photo

Paty units reopen with DIY-look

(Continued from page 2)
president said. "The Johnson City store was oriented 65% to 70% in favor of contracting last year. Now, consumer sales there are more than 50%."

John Kiss, Paty's marketing vp, said the first change in product mix was the elimination of the major appliances department, which had contributed between 8% and 10% of company sales.

"We carried a lot of appliances: laundry machines, refrigerators, dishwashers, stoves, televisions," the executive recalled. "We sold a lot too, but there was never any margin.

"We would have been happy with margins in the low 20's, but ours were in the teens," he added. "Competition was just too fierce."

Money being spent on appliances will be reinvested to increase the company's sku offering from 13,000 to 16,000. Kiss said that between 750 to 1,000 sku's have been devoted to the new lawn and garden department, selected on the basis of point-of-sale tracking. Some 150 to 180 sku's of wallpaper have been added to the decoratives department. Other new in-store products include precut and presanded hardwood boards, picture frame molding, packaged and carded plumbing fixtures and telephone accessories.

According to Kiss, about 30% of this year's sales at the Johnson City store are expected to come from the decoratives department. The store's paint inventory reportedly has turned at least five times thus far, while the company claims to be the only local retailer with an extensive selection of wallpaper in stock.

The decoratives department also is positioned at the center of the store's racetrack, taking up between 30% and 35% of the floor space. Kiss said Paty intends to emphasize the decora-

MEET PEOPLE YOU KNOW EVERY ISSUE

female shoppers into its stores. "We're trying to make a statement," the executive continued. "We're trying to say we have a broad selection of wallpaper and you don't have to order it to get it.

"We also want the decoratives department to be attractive and help provide a pleasant shopping experience for women," he said. "It's our belief that the women are the ones that initiate home projects."

Kiss said the largest portion of store sales, between 30% and 40%, will come from the lumber and building materials department. The department's merchandise has been placed on the left-hand side of the store in an attempt to draw customers around the racetrack from an entrance at the front right-hand corner of the building.

Plumbing and hardware merchandise also has been placed at the rear of the store to draw customers through. Lawn and garden and seasonals sit near the check-out lines at the front.

Kiss said the racetrack format will provide more numerous opportunities for endcap displays than other store designs reviewed by the company's officials. He said Paty also believes the format induces shoppers to walk around the entire store.

Designed by an outside consultant, The Doody Co., Cleveland, the racetrack at Johnson City provides the store with 55 endcap displays. Kiss said the same store had about half as many endcaps last year.

"We sort of decided upon [the design] after arriving at negative evaluations of the other concepts," said Kiss.

"For instance, we were skeptical about a supermarket design—a home center doesn't seem to have as many consumables that can be positioned to draw people down those long aisles."

Kiss said Paty spent $250,000 to renovate the Johnson City store, giving it a new parking lot and entrance. The Duffield renovation is expected to cost between $15,000 and $20,000, with most of the expenditures being funneled to new store fixtures and a wider front entrance.

FUTURES

Two weeks ended July 22, 1983

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Sept. '83	214.50	203.50	212.60	210.80	4,414	240.40	163.80
Nov.	214.50	202.50	211.60	206.40	2,738	229.90	168.00
Jan. '84	218.50	206.50	216.20	208.90	869	234.00	179.00
March	223.80	212.50	221.50	214.00	284	240.50	206.50
May	228.00	216.00	226.10	218.50	106	245.50	216.00
July	232.00	222.50	230.10	224.60	31	252.50	222.50
Sept.			— No Trading —				

Total Contract Vol. (Through 7/22): 29,971 — **Previous Two Weeks: 31,675**
Total Open Interest (As of 7/21): 8,442 — **Previous Week: 8,343**
Cash Price: $195.02 — **Previous Week: $197.90** — **Year Ago: $135.24**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
July '83	196.00	188.50	190.50	192.40	0	221.00	170.00
Sept.	199.30	191.10	198.90	194.80	1,285	223.90	185.00
Nov.	202.10	193.60	200.70	197.10	275	226.60	193.60
Jan. '84	203.50	196.00	202.00	198.20	89	223.00	196.00
March	206.00	198.00	204.50	201.00	72	225.00	198.00
May			— No Trading —				

Total Contract Vol. (Through 7/22): 1,273 — **Previous Two Weeks: 2,495**
Total Open Interest (As of 7/21): 1,721 — **Previous Week: 1,674**
Cash Price: $196.00 — **Previous Week: $191.10** — **Year Ago: $164.64**

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, July 21.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Climb in housing begins to level off

(Continued from page 2)
39% improvement to 2.73 million compared with 1.96 million in 1982.

But for the next six months housing industry observers see a leveling off of activity, at least toward the end of the year, if not immediately. And prospects for the longer term are more problematical with prospects brightened, however, by the ensuing election year.

Data Resources senior vp Bob Gough expects seasonally adjusted starts in the 1.72 million range through the third quarter because home completions have skyrocketed and new demand will therefore have to be satisfied by new construction. In addition, the level of permits filed during the first half has been strong.

"That momentum may take us through September," said Gough. "But for the fourth quarter we should see 1.64 [million starts seasonally adjusted], and it could be even lower. The reason is simple: mortgage rates."

For a strong housing market, the mortgage payment should take up no more than 30% to 32% of a homeowner's income, Gough said. While home prices as well as interest rates affect affordability, the NAR's Kerin noted that existing home prices are up only 4.2% from a year ago.

"Virtually all changes in the affordability index in the last year were due to interest rates," he said.

"There is no magic interest rate," Gough commented, "but clearly in the area of 12% or below is needed to maintain the momentum seen in the past few months."

Smith Barney Harris Upham vp Barbara Alexander expects starts to drop below 1.6 million on a seasonally adjusted monthly basis in the near future. She anticipates 1.6 to 1.7 million starts for 1984 and 1.7 to 1.75 million for 1985.

The NAHB expects 1984 starts to reach about 1.73 compared with the 1.56 million forecast for 1983.

FOR THE RECORD

CHATSWORTH, Calif.—Commodore Products' creditors voted in June to endorse a plan of reorganization intended to bring the company out of Chapter XI protection.

Close to 95% of the 144 creditors voted in favor of the plan, according to Commodore president Larry Pallitz. The company was expected to seek court approval of the plan on July 12.

'KDesign 84' set for Sept. 9-12

NEW YORK—Over 5,000 styles of knock-down (KD) furniture are expected to be exhibited at "KDesign 84," an exposition to be held Sept. 9-12 at the New York Coliseum.

Initial offering

As the first exposition for ready-to-assemble (RTA) furniture ever held, the event aims to increase the awareness of retailers, manufacturers and interior designers toward the potential of such furniture.

Products from many European countries, Asia, the Near East, Australia, Canada and the United States will be exhibited at the show, produced by the Cahners Exposition Group.

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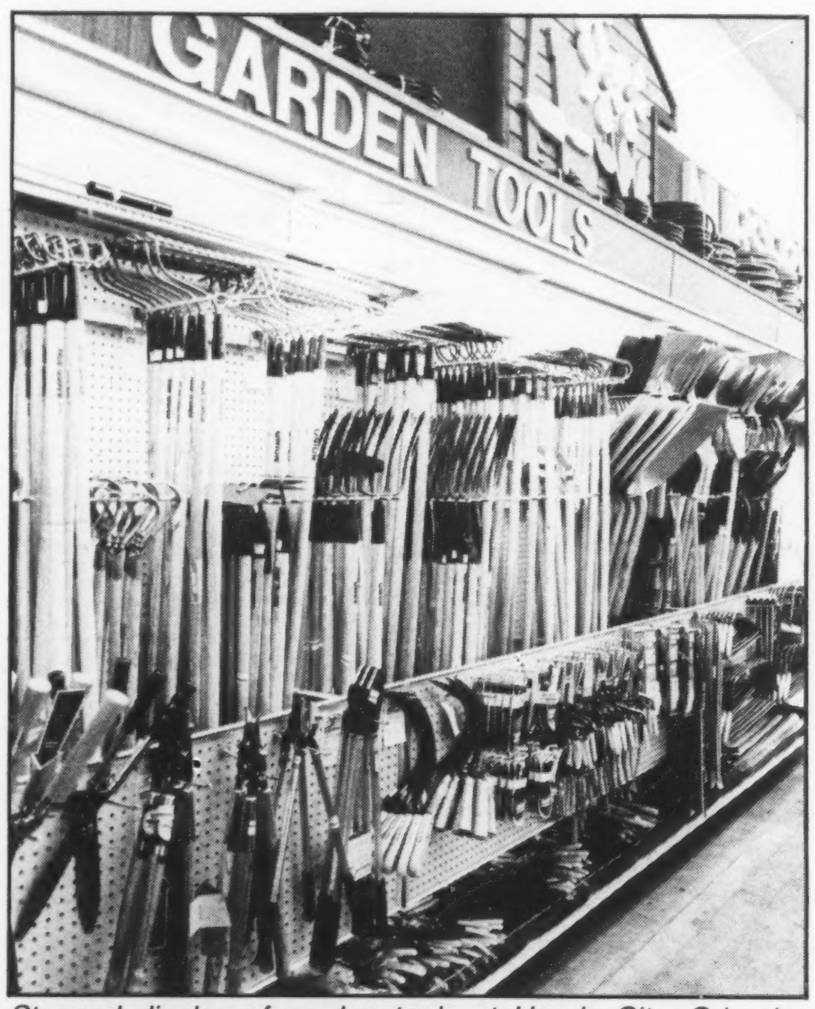
LAWN & GARDEN SUPPLEMENT—pp. 17-44

National Home Center News®

Vol. 9, No. 18 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. August 29, 1983



Stepped display of garden tools at Handy City, Orlando, contains long-handled tools on back wall, shorter ones on knee-high addition, and hand tools on the bottom step. NHCN photo

Timber! Lumber prices fall; cautious dealers not buying

By Kenneth Schept
NHCN senior editor

NATIONAL REPORT—Lumber prices dropped dramatically early this month as retailers and wholesalers, uncertain about the duration of the housing recovery, bought only enough for current needs and trimmed their inventories.

Random Length's lumber composite price dropped $14 in the first week of August, to $215 per thousand board feet compared to June's average of $260. Western spruce 2x4's were hardest hit with a July price plunge of about $100, but prices on Southern pine and other species eroded as well.

The sharp decline of the lumber market resulted because of high production levels at the mills as demand slackened—some say disappeared—when interest rates climbed, threatening to slow housing production from 1.7 million seasonally adjusted units for the first half of 1983 to perhaps 1.3 million at year's end.

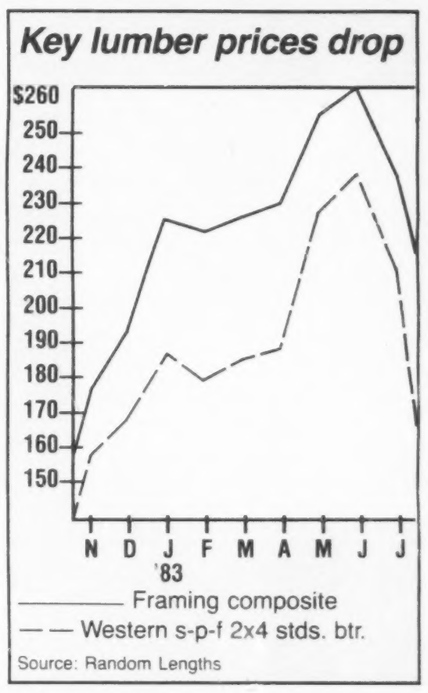
Palmer's Lumber & Plywood Forecast, a weekly newsletter, has declared the end of the cycle. Others view these recent price declines as a temporary leveling. No one is certain how much lower lumber prices will go but all agree that the psychology of caution has taken hold.

"The retailer has stopped buying lumber," said Phil Chiricotti, director of forest products for K&S Commodities, Chicago. "He doesn't want to buy it. He doesn't know what's going to happen down the road."

"You're not going to fool this guy. He stopped buying in advance of business falling off," Chiricotti continued. "He's run his inventories down in advance. He's worried about the future. He's pulling in his horns."

"With prices the way they are we just as soon get a truck in

(Continued on page 62)



After peaking in June, key lumber prices dropped as mills caught up with demand which slackened with rising interest rates. Monthly averages are shown except for August, which reflects early-month activity.

Stepped displays trigger tie-in lawn & garden sales

ORLANDO, Fla.—"Without the stepped display we would have to reduce the linear feet devoted to long-handled tools from 40 ft. to 36 ft," said John Coen, store manager at the Handy City on West Colonial Drive here. "Then we would display the shorter tools and accessories on a 4-ft. section."

The stepped display method, now being employed by San Antonio-based Handy City and other chains, such as Ernst Home Centers, Seattle, Wash., is helping home center retailers increase productivity in their lawn and garden department. ***(An in-depth look at the booming lawn and garden department begins on page 17.)***

The stepped display encourages tie-in sales, according to Coen. Many customers who select a shovel, hoe or rake also purchase a weed trimmer, clippers or saw because they are displayed in a direct line of sight on the knee-high pegboard addition.

"Recently, we added a selection of garden gloves to the lower rise of pegboard just in front of the shovels," noted Coen. "Many customers selecting a shovel also pick up a pair of gloves to go with it."

Coen also said the three steps of the gondola provide additional room for more extensive good-better-best selections of merchandise.

Price war brewing in Dallas as chains brace for Bowater entry

By John Caulfield
NHCN associate editor

DALLAS—The weather isn't the only thing sweltering here this month as several home center chains have suddenly heated up their print and television ad campaigns in anticipation of what some see as an all-out price war in the market.

Dallas is one of the most competitive markets in the country already, with such chains as Payless Cashways, Handy Dan, Homer's, Foxworth-Galbraith and 84 Lumber all promoting their merchandise heavily. But these companies could be feeling a bit anxious as they await the opening next month of three Bowater Home Centers, the first warehouse-style operation to enter the market.

Consequently, many of these chains are making a greater effort to protect their market shares, or try to heighten their

(Continued on page 62)

Full page Homer's ad proclaims 20% off every item in the chain's nine Dallas stores.

NEWSBREAKS

IMPENDING ACQUISITION. O'Malley's, Phoenix, and Sunset Industries, operators of five Handy Andy units in Tucson, Ariz., have entered into negotiations whereby O'Malley's would acquire the Handy Andy stores, officials of the two companies confirmed.

GOING PUBLIC. Twelve-unit National Lumber, Santa Ana, Calif., hopes to raise $15 million to $20 million for expansion in an initial public stock offering, tentatively set for Sept. 27, of 1.5 million shares.

INSIDE:

OLE'S MANAGEMENT REORGANIZATION creates three group vp positions ..... Page 2
NEW POS TERMINALS are speeding customers through Scotty's checkouts ..... Page 3
FTC SHIFTS GEARS on enforcing certain advertising and promotional claims ..... Page 6

Hardware Show business brisk

Marcus warns manufacturers of shortcomings

NHCN staff roundup

CHICAGO—Home Depot chairman Bernie Marcus warned domestic manufacturers that home center dealers will turn to foreign and new United States sources of supply if incomplete orders, "unjustified" price increases and "pseudo" shortages continue.

However, Marcus saw tremendous potential for manufacturers and retailers in the home center industry. He made these remarks in his keynote address at this year's 38th annual National Hardware Show held here this month.

While attendance figures were not available at presstime, first day activity was brisk, with virtually every major home center and hardware chain having representatives on the show floor. The show's sponsors estimated that a total of 75,000 people would attend this year's show.

Home center dealers walking the show told *NHCN* that their businesses were responding strongly to the national recovery, and that the show's turnout was a reflection of that strength industrywide.

(Continued on page 61)

NHCNews Briefs

Industry Update

Depot doubles 2nd qtr. sales

ATLANTA—The Home Depot has nearly equaled its sales for all of last year in the first six months of its current fiscal year.

The 14-store chain more than doubled its second quarter volume from a year ago by recording $66.6 million in sales in the three-month period ended July 31, officials reported. The Home Depot did $33.1 million in sales in the second quarter last year.

That performance pushed The Home Depot's volume for the first half of the present fiscal year to $109.6 million. All of last fiscal year, it reported $117.6 million in sales.

Officials said the results were aided by the addition of six new units since July 1982 as well as "significant" increases in sales at the other eight stores.

The company is not letting up in its expansion. It plans to open two units and is looking for a third site in Phoenix (*NHCN*, Aug.1) and single outlets in Clearwater and West Palm Beach, Fla., according to Ronald M. Brill, vice president, finance and treasurer.

Goodbuys set for 4th Philly unit

PHILADELPHIA—The three-unit Mr. Goodbuys chain will open its fourth store by mid-September in the northeast section of this city and is in the final stages of negotiating for another site in Philly's west side.

According to co-owner Steve Erlbaum, the new store will have its grand opening in mid-October. Mr. Goodbuys spent about $300,000 to renovate this unit, formerly a 15,000-sq.-ft. Price Rite Home Supply, into a 70,000-sq.-ft. building materials unit that mirrors the chain's prototype (*NHCN*, Feb. 28). He added that the new store will carry an estimated $1.2 million in inventory at cost.

Like its 130,000-sq.-ft. prototype here, the chain's newly opened store will specialize in the merchandising of bigger-ticket products—such as kitchens, windows, floors and ceilings—and emphasize in-store service.

Erlbaum was not at liberty to divulge the exact location of the chain's proposed fifth store, except to say it would operate in a western Philadelphia suburb and would open late this year or early 1984.

Plans are being discussed to open more stores in the Union, N.J., and Baltimore markets where Mr. Goodbuys already has stores, but Erlbaum indicated there were no immediate plans for the company to expand into new markets within the next year.

Wickes Lumber switches ad firms

SAGINAW, Mich.—Wickes Lumber will move its $2.5 million advertising account to a Chicago agency on Sept. 1, as part of the planned relocation of its headquarters there later this fall.

Dick Hammill, senior director of marketing for the 239-unit chain, said the Grey North advertising agency of Chicago will begin buying media promotions for Wickes in October. The account, until now, has been handled by the Johnson & Dean agency of Grand Rapids, Mich.

According to Hammill, the transfer will bring no drastic changes to company promotions at the outset. The executive predicted that any significant changes that might be agreed upon in the future would not begin to appear until next spring.

The Midwestern subsidiary of Wickes Co. devotes about 95% of $2.5 million sum to radio promotions. Hammill said Wickes commercials are heard in 125 radio markets, which serve between 150 and 160 of the chain's home centers. The marketing director said radio for Wickes is a more efficient medium than television, since most stores are located in small to medium markets.

Officials from Saginaw and Santa Monica chose to transfer the chain's account to the Chicago area due to logistical considerations stemming from the chain's approaching relocation to Vernon Hill, Ill., in mid-November.

National Home Center News

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $20 a year ($21 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 9, No. 18 August 29, 1983

Ole's restructuring creates three Group VP positions

PASADENA, Calif.—Ole's Home Centers, operator of 34 stores in California and Nevada, has completed a major reorganization of its management structure including the creation of three Group VP positions.

Harvey Knell, president of the privately held, 100% DIY chain that posted an estimated $188 million sales last year, said the changes are "an attempt to reorganize the company and streamline channels of reporting and communication."

The newly created Group VP slots were filled through internal promotions. The Group VPs are Shawn Lee, operations; Allen Weissman, real estate/planning and Gary Schangaard, administration.

Lee formerly was vp-merchandising, a post filled July 25 by Jim Stadtlander, a 24-year employee of Montgomery Ward who most recently was its paint and hardware division merchandise manager.

Prior to their promotions, Weissman was vp-corporate development/real estate and Schangaard was senior vp-finance and cfo, the latter title which he keeps in his Group VP post.

Another major reassignment was the promotion of Robert Stutz, senior vp-marketing, to executive vp of Knell Enterprises, Ole's parent company. Knell said Stutz is working on special projects which he declined to specify.

The corporate reorganization is the second within two years (*NHCN*, March 1, 1982). The first phase created several senior vp positions which were eliminated in the second phase.

"We felt some time ago this Group VP structure was where we needed to be evolving to," Knell commented, adding that it is part of the company's long-range strategic planning process.

"Obviously, any changes that we make—or perceive are necessary through the planning horizon—are reflective of market conditions and what we plan to be doing in the market," he elaborated.

In a related development, *NHCN* learned that Knell Enterprises has hired Rick Randall, formerly senior vp-mm for Grossman's.

Gamble creditor group files for separate reorganization independently of Wickes

LOS ANGELES—A group representing Gamble-Skogmo Inc. creditors has sought to file a separate plan to reorganize that company, which would bring Gamble out of bankruptcy independently of its parent corporation, Wickes Cos.

Describing Gamble as a "well-organized, lean entity," the Gamble-Skogmo Income Capital Noteholders Subcommittee claims that Gamble's businesses—which comprise about half the current Wickes assets—are "ready and able to be reorganized," and charges that any further delay in reorganizing Gamble as a separate entity "only serves to seriously jeopardize the interests of Gamble creditors."

The subcommittee also opposed Wickes' plans for an Aug. 12 filing to seek another six-month extension of "exclusivity," the period during which only Wickes may file a reorganization plan and have it accepted. In a separate filing, the subcommittee sought permission for its attorneys to investigate what it considers questionable practices by the former management of Wickes, which acquired Gamble in August 1980.

Using Wickes supplied figures as a base, the subcommittee has developed a cash flow analysis it said shows an autonomous, reorganized Gamble could produce enough capital to pay off creditors, while Wickes businesses continued to have limited resources.

The subcommittee's plan would pay senior Gamble creditors, who are owed $339 million, $231 million plus five- and 10-year notes for the balance. Trade creditors, owed $34 million, would be paid $12 million and five-year notes for the balance. Subordinated noteholders wouldn't receive cash, but would get 90% of the stock of a reorganized Gamble-Skogmo. Gamble preferred shareholders and Wickes wouldn't receive anything.

Wickes attorney Edmund Kaufman said the subcommittee's proposal was the first made by any of Wickes' four creditor committees that suggested an entity other than the current Wickes could be reorganized separately or would retain equity control of all its

(Continued on page 62)

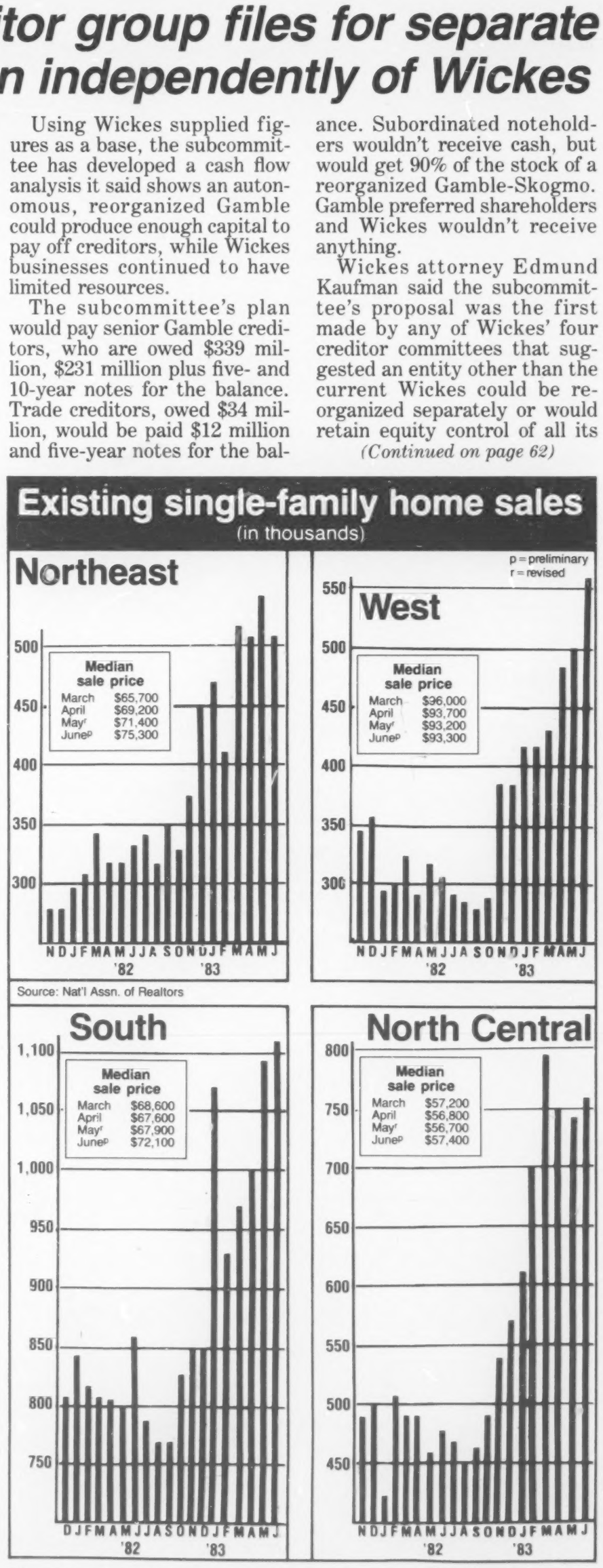
Evans Products delays offering

PORTLAND, Ore.—Evans Products has delayed the release of preliminary prospectuses in connection with its plan to create a new publicly held corporation for its 343-unit retail group.

Gerald Parsons, Evans' vp-corporate relations, said, "we have some details to iron out" before the prospectuses can be filed with the S.E.C. The prospectuses serve as the document on which the underwritten public offering of stock in Evans' recently created, wholly owned subsidiary, Grossman's Inc., is based.

"I can only say that most of the work in connection with the preparation of the filing has been completed," Parsons told *NHCN*. Evans Products first announced plans to spin off the profitable retail group June 22 and said the prospectuses would be available in July (*NHCN*, July 18).

Grossman's Inc. will be comprised of Evans' retail group. Evans officials said the company will retain at least 20% of the shares of Grossman's common stock outstanding following the public offering.



The rate of existing home resales was 2.93 million units, on an annualized basis in June, up 1% from the month before and 48% ahead of the same month in 1982. The West experienced the strongest month-to-month increase in resale activity, a 12% hike, while the level of resales in the Northeast dropped 9.8% from May to June, according to the National Assn. of Realtors.

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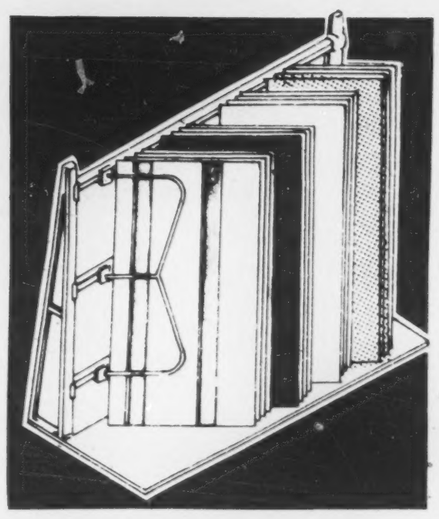

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Home center building costs on par with other retailers

NATIONAL REPORT—Home center chains' construction-related expenditures—what it costs them to erect a building shell—are greater than discount and drug store chains but less than supermarkets, specialty and department stores, according to a retail survey.

The average or mean cost of a home center building shell within the last six months was $28.25 a square foot, compared with $25.79 for discounters, $21.78 for drug, $37.58 for supermarkets, $38.47 for specialty and $32.67 for department stores.

The survey results, based on telephone interviews conducted by Lebhar-Friedman Research with executives from 30 chains in each retail category, were detailed in the 1983 Annual Census of American Chain Stores published in *Chain Store Age Executive*.

The survey broke out results for six separate retailing categories, calculated both in mean and median averages. The median is the number where half the values are above and half are below it. For instance, of home centers that opened in 1982-83, the average square footage was reported to be 28,-920, while the median square footage was substantially less—17,500 sq. ft. Discount stores, in contrast, report a slightly larger average selling floor averaging 20,000 sq. ft.

The mean and median costs of particular physical support systems such as fixturing and lighting indicate that, with some exceptions, home center store planners spend less on these items than most other retail segments.

In-store fixtures, including gondolas and shelving, showed home centers' cost per square foot median was $2.44, while the mean was $5.66 a square foot. Those results were slightly lower than all retail segments, which combined had a median of $7.23 a square foot and a mean of $11.93 per square foot. One unidentified home center chain reported a range of fixture costs from $25.01 to $30 per square foot, but approximately one-third of respondents said costs were much lower, ranging from $2.51 to $5 per square foot.

In labor intensive support categories, the variations between home centers and other retail segments were substantial. Average costs per square foot for security at home center chains was put at 42¢, while nine of 30 home center respondents said their security costs per square foot were at least 51¢ or more. Average cost of security per square foot in all retail segments was pegged at 73¢. Discount stores followed behind home centers in terms of costs invested per square foot for security purposes with 48¢ spent.

In the employee-dominated function of store maintenance, however, home centers spent 44¢ per square foot—with all retail segments except supermarkets (45¢ per square foot) spending less than that amount. The average cost per square foot for all retail segments for maintenance was 38¢ per square foot. This indicates that maintenance in home centers and supermarkets is a particularly large chunk of employee payroll costs.

One physical support category that home centers spent less on than other retail segments was drop ceilings. Home centers spent $1.18 a square foot on this item, compared with the total retail average of $1.47.

Again, home centers paid less on heating and air conditioning (HVAC) costs, the survey revealed—HVAC costing home center chains $1.03 per square foot on average, compared with the total of all retail segments of $2.15. The big spenders on HVAC systems were the smaller square-footage specialty store chains, which invested $3.75 a square foot in HVAC.

On exterior and interior signs, home centers spent 88¢ a square foot, slightly less than the total retail segment average of 96¢. Home centers spent less on interior lighting than other retail segments, an average of 81¢ a square foot compared with $1.63. In exterior lights, home centers paid 49¢ a square foot.

In a relatively new physical support category—energy management—home center chains have not yet invested as much money as other segments of retailing in systems that reduce utility consumption. The study revealed that home centers spent an average of 27¢ a square foot on energy management while the average spent by all retail segments is 59¢. In energy management, discount stores spend an average of 44¢ a square foot, with greater commitments being made by department stores who spent 55¢; drug, 73¢; supermarkets, 79¢, and specialty stores, 86¢.

Retail building costs
(dollars per sq. ft.)

	Home centers*			All retail operations**		
	No. of hme center respondents	Median	Mean	Total respondents	Median	Mean
Fixtures	30	$2.44	$5.68	180	$7.23	$11.93
Security	30	0.24	0.42	180	0.24	0.73
Ceilings	17	1.01	1.18	89	1.22	1.47
HVAC	30	0.49	1.03	180	0.99	2.15
Maintenance	30	0.16	0.44	180	0.16	0.38
Signage	30	0.24	0.88	180	0.39	0.96
Interior lighting	30	0.39	0.81	180	0.85	1.63
Communications	30	0.25	0.55	180	0.25	0.67
Roofs						
BUR[1]	7	3.13	3.90	46	1.97	2.68
Ply[2]	6	1.01	1.25	47	2.08	3.05
Energy management	30	0.15	0.27	180	0.24	0.59

* = Based on a survey of 30 home centers that averaged $72 million in sales annually (median: $23 million), and averaged 32 stores per chain (median: 10)
** = Includes discount, drug, supermarket, department and specialty stores as well as home centers
[1] = Built-up roofs
[2] = Single ply roofs

Source: *Chain Store Age, Executive*, July 1983

A recent telephone survey of 180 retail companies, including 30 home center firms, found that home centers' operating costs are the same as or less than that of discount, drug, supermarket, department and specialty stores.

"So why should we buy floor protection products from Shepherd Jerry?"

Would you buy a shirt from a cop because he knows how to make a "collar"?

Jerry Weber
V.P. Sales

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Shades of Captain Midnight

National Lumber club members pack secret decoder calculators

SANTA ANA, Calif.—National Lumber president Mel Jaffee says the inspiration for the 12-unit chain's current promotion was Captain Midnight and his secret decoder ring, circa 1939.

The difference is, National Lumber's "Shorty and Cheap Chicken Club" uses "secret decoder" calculators.

According to Jaffee, customers who pay a one-time membership fee of $9.95 receive a T-shirt, carry bag, baseball cap, certificate, identification card and a calculator.

The calculator requires some explaining. As Jaffee described it, all the numbers have been removed and replaced with scrambled letters that spell "SHORTY CLUB." (Shorty and Cheap Chicken are cartoon characters that National uses in its TV, newspaper, circulars, logos and in-store signs.)

"Our ads in the next few weeks will have coded messages and only club members can decode the price," Jaffee said, elaborating that only the calculator can be used to unscramble the code. "We guarantee that the price will be lower [than the competition's]. If we are not lower, the club member can bring in the competitor's ad and we will give the member that price plus a 10% discount."

The zany promotion includes discount Disneyland tickets, a newsletter and special purchasing arrangements—which Jaffee didn't specify—for club members only.

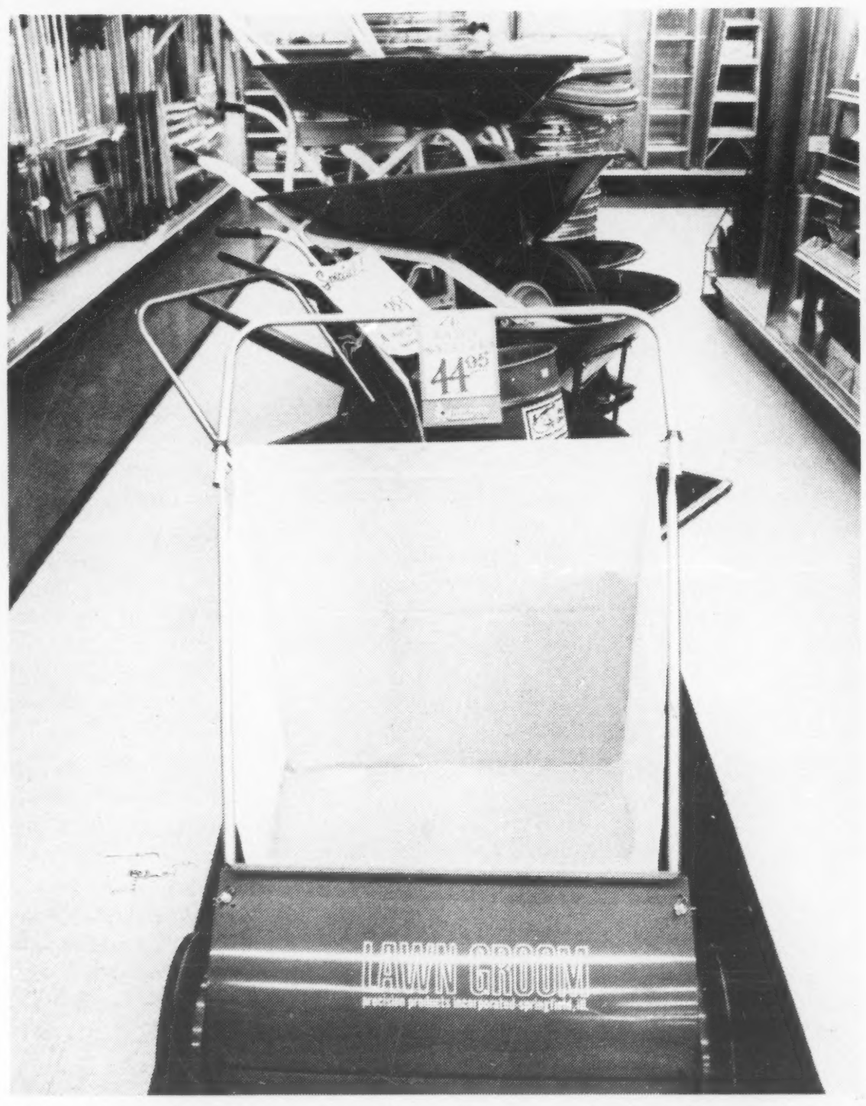
The first weekend of the promotion, some 600 persons signed up. Jaffee expects some 5,000 members by the end of summer. He said the promotion was introduced "quietly" in a circular and then spread to run-of-press newspaper display ads and eventually will appear on television. "We went easy at first," Jaffee explained. "We had to order calculators from Taiwan, and we didn't know what was going to happen."

LAWN & GARDEN

Pine bark and marble chips are merchandised adjacent to peat moss and fencing at Edward Hines Lumber, Chicago. NHCN photo

Bulk stacking of fertilizer, applicators and yard carts, surrounded by wide aisles, attract customers to the lawn and garden department at The Home Depot, Orlando, Fla. NHCN photo

Consumers are exposed to a broad array of "how to" help in the lawn and garden area of Ernst Home Centers, Bothell, Wash. Topics covered by the literature include landscaping, pruning, various types of gardening and patios. NHCN photo



Elevated platform helps set off a well-signed display of lawn sweeper and wheelbarrows at Anderson Lumber, Bountiful, Utah. NHCN photo

NHCN survey shows:

Wide range of prices on outdoor power equipment

NATIONAL REPORT—Outdoor power tools are sold at broad price spreads in home center lawn and garden departments, according to a *National Home Center News* survey.

String trimmers sell faster than other power tools in the lawn and garden department, according to a survey of 20 leading home center chains conducted by NHCN. NHCN photo

Conducted at a cross section of leading home center chains nationwide, the survey showed that lawn mowers sell for the lowest reported price of $99.95 and the highest of $1,999.

String trimmers

Respondents pegged a low price of $19.95 and a high of $352 for string trimmers. The lowest reported price for a chain saw was $49 and the highest was $600.

Sell fastest

String trimmers are sold much faster than other power tools in the lawn and garden department, turning 6.1 times annually on the average.

Manual tools

In the category of manual tools, home centers reported an average shovel inventory of 10 sku's, far fewer than hoses and sprinklers but significantly higher than other common garden tools. Although shovels sell for as low as $3.95 on promotion, their price was reported as high as $35.95. An average low of $7.90 and an average high of $27.85 emerged during the survey.

Rakes, axes and hoes are each carried at an average of six to seven sku's, according to respondents.

Wheelbarrows, carried at an average depth of five sku's, sell in a price range significantly higher than any other manual garden tool. The lowest reported price was $19.95 and the highest was $115.95.

Lawn and garden buyers were asked a series of questions either over the phone or using a mailed questionnaire. Results were tabulated from the responses of about 20 chains.

Lawn and garden tool activity

	Avg. Sku's	Avg. Turns	Lowest Price*	Avg. Low	Avg. High	Highest Price*
Power Tools						
Lawn Mowers/Tractors	8	3.70	$99.95	$256.75	$908.80	$1,999.00
String Trimmers	7	6.10	19.95	30.27	169.41	352.00
Hedgers (incl. manual)	5	3.20	5.00	13.55	57.12	79.99
Chain Saws	5	2.75	49.00	107.20	352.40	600.00
Manual Tools						
Hoses and Sprinklers	16	5.40	$ 2.99	$ 3.58	$ 45.00	$ 75.00
Shovels	10	4.30	3.95	7.90	27.85	35.95
Rakes	7	3.70	2.99	4.60	16.56	19.95
Axes	6	4.00	3.80	10.12	25.49	31.99
Hoes	6	4.60	3.95	6.62	19.20	29.99
Wheelbarrows	5	4.10	19.95	29.27	83.27	115.95
Spreaders	3	6.50	10.95	27.81	37.63	49.95
Wedges	3	2.00	4.00	6.67	9.65	10.00

*Lowest and highest prices reflect buyer responses obtained during a *National Home Center News* survey of leading home center chains nationwide. Average low and high prices represent mean averages of all reports added together.

Lawn mowers, selling for a low of $99.95 and a high of $1,999, represent the lawn and garden item with the greatest price spread at home centers. NHCN Chart

LUMBER REPORT

Reagan's lumber bail out:

Extend harvest contracts on Federal timberland by 5 yrs.

By Ken Schept
NHCN senior editor

NATIONAL REPORT—President Reagan late last month approved a five-year contract extension designed to help alleviate pressure on forest products companies which would have been forced to harvest Federal timberlands at a tremendous financial loss.

Schept

Current contracts have been extended from the point they were due to expire, so in some cases, companies now have until almost the end of the decade to harvest their Federal timber.

That may sound good to some, but there are still significant problems according to certain observers, who assert that the President's solution does not go far enough toward ameliorating the crunch in which some lumber companies find themselves. Some feel that actual contract termination is the only solution that would save those operations. Sen. Mark Hatfield (R-Ore.) has a bill pending to achieve that end.

Paul Ehinger, executive vp of the Western Resource Alliance, said of the President's action, "In certain cases this will be helpful. But this doesn't solve the problem. Obviously some people will find this adequate, but the impact is on the smaller, medium-sized operations that are totally dependent on Government timber.

"The other thing that has us all concerned is that the price of the product has not gone up. All the Government's projections were based on higher returns. It's like so many things that you try to do. No one wants to come to grips with the problem."

"The studies that were available to the President actually covered a range of housing starts," said George Leonard, Forest Service director of timber management. "The low housing start scenario indicates that companies won't be able to move enough volume and there will be a substantial number of defaults.

"There were even defaults in the best housing start scenario. The worse the market, the greater the problem is going to be."

The problem developed in the late 1970's when bidding practices and expectations of strong inflation caused lumber companies to drive the cost of stumpage on Federal lands to skyrocketing levels. When the bottom fell out of the housing market, lumber prices caved in leaving many companies holding vast supplies of uneconomical timber that would be unprofitable, if not disasterous, to harvest.

The Forest Service estimates that in the four-state region of Oregon, Washington, northern California and northern Idaho about 384 purchasers hold 2,441 contracts on 16.6 billion board feet of lumber with a contract value of $4.5 billion. The Bureau of Land Management of the Department of Interior also holds land under contracts, but substantially less.

The premise behind the President's solution is that given extra time, the stricken companies can purchase additional contracts at more favorable rates, and, through averaging get out from under without major adverse consequence. It's akin to the course sometimes chosen to salvage a poor stock investment decision.

The problem with the analogy as it applies here, however, is that some analysts are announcing that the end of the bull market in lumber has arrived. After a run that saw the framing composite price boom from $152 per thousand board feet in October 1982 to $260 last June, some are saying that home building activity will slow because of higher interest rates generated as the Government and consumers collide in pursuit of credit.

Lumber prices are conse-

(Continued on page 54)

FUTURES

Two weeks ended Aug. 5, 1983

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Sept.	217.30	180.10	180.10	199.80	7,019	240.40	163.80
Nov.	216.60	184.10	184.30	201.40	4,572	229.90	168.00
Jan. '84	220.80	189.20	190.60	204.40	1,075	234.00	179.00
March	226.10	199.50	199.50	210.80	216	240.50	199.50
May	231.00	206.50	206.80	214.80	224	245.50	206.50
July	235.10	217.00	218.50	223.00	31	252.50	217.00
Sept.	228.00	225.50	227.50	No Trading	5	228.00	225.50

Total Contract Vol. (Through 8/5): 33,912 — **Previous Two Weeks: 29,971**
Total Open Interest (As of 8/4): 8,552 — **Previous Week: 8,499**
Cash Price: $174.44 — **Previous Week: $191.10** — **Year Ago: $132.30**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Sept.	199.80	179.20	179.80	188.90	1,070	223.90	179.20
Nov.	202.20	182.00	182.50	191.50	271	226.60	182.00
Jan. '84	204.50	184.50	184.50	193.70	89	223.00	184.50
March	207.00	188.00	188.20	196.90	123	225.00	188.00
May			No Trading				
July			No Trading				

Total Contract Vol. (Through 8/5): 1,350 — **Previous Two Weeks: 1,273**
Total Open Interest (As of 8/4): 1,553 — **Previous Week: 1,705**
Cash Price: $186.20 — **Previous Week: $192.08** — **Year Ago: $161.70**

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	270.2	259.9	234.7

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, Aug. 4.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

CALENDAR

Aug. 30-Sept. 2
Automotive Parts and Accessories Assn., 15th Annual Show, McCormick Place, Chicago.

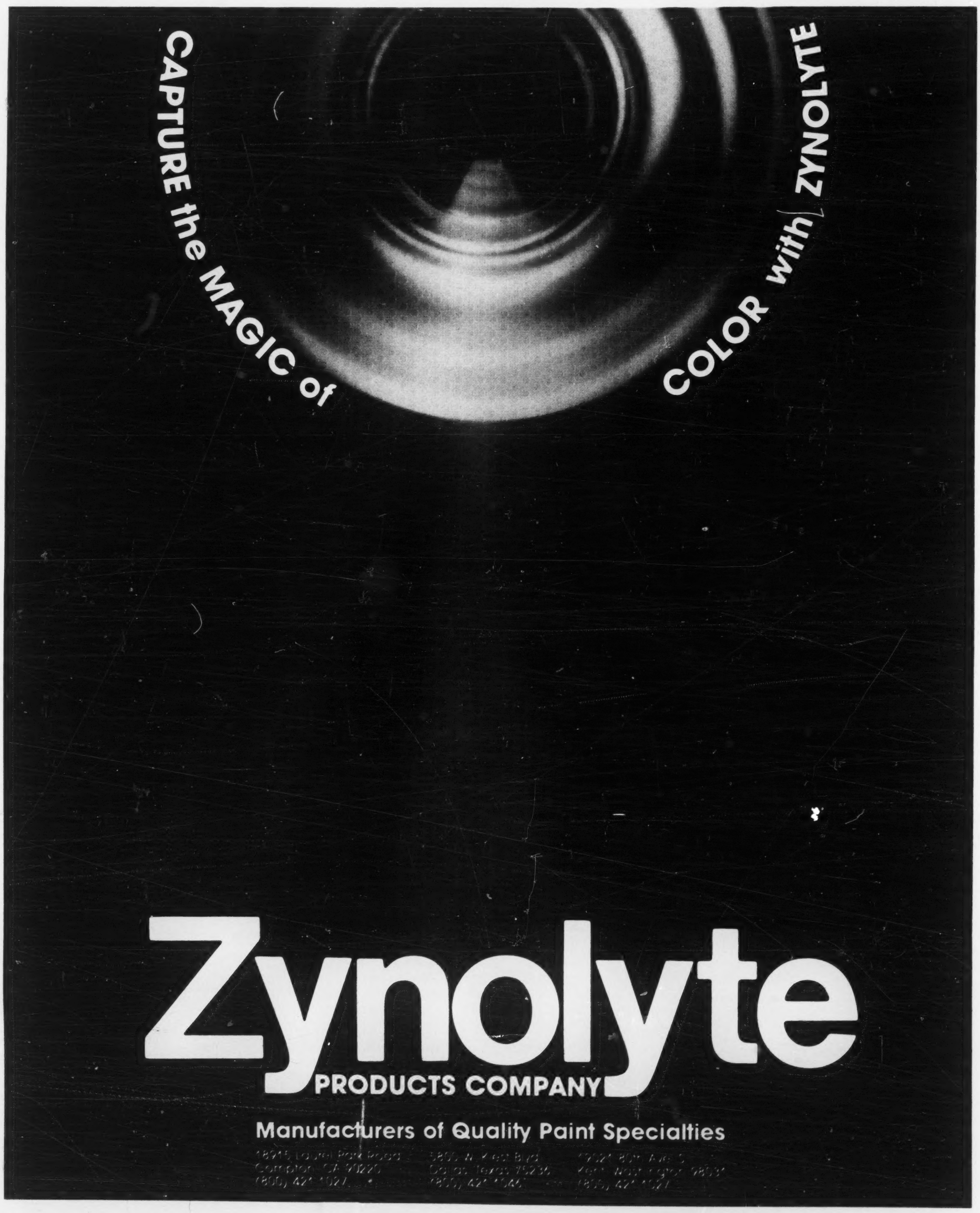
Sept. 9-11
Vermont Retail Lumber Dealers Assn., Annual Meeting, Lake Morey Inn & Country Club, Fairlee, Vt.

Sept. 10-11
Hardware Supply Co., 12th Annual Dealer Market, Adams Mark Hotel and Exhibition Center, Philadelphia.

Sept. 10-11
RKB Enterprises Annual Fall Dealer Market, Broome County Arena, Binghamton, N.Y.

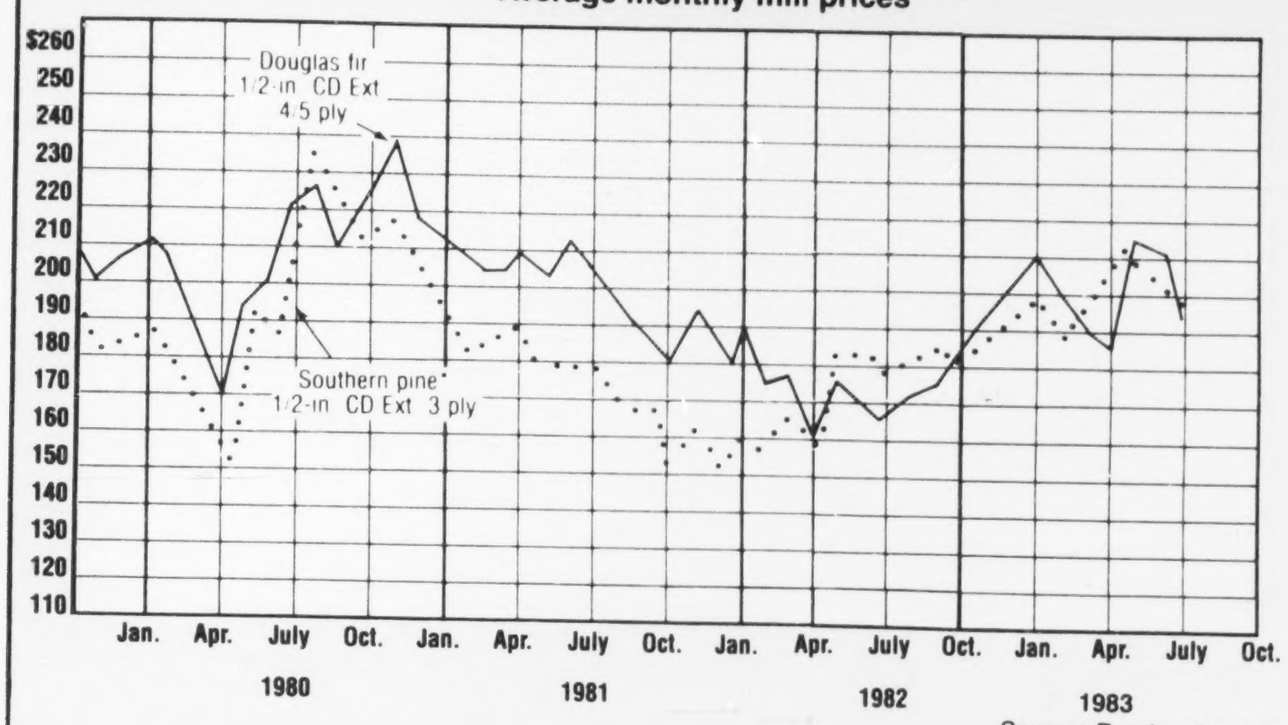
Sept. 10-11
Oklahoma Lumbermen's Assn. 37th Annual Convention/Merchandise Mart, Myriad Convention Center, Oklahoma City.

(Continued on page 60)



Commodity close-up: Western & Southern Plywood

Average monthly mill prices



Source: *Random Lengths*

Plywood prices have dropped steadily since May, but with Doug fir ½-in. CDX-4/5 ply at $196 per thousand square feet and Southern pine (westside) ½-in. CDX 3-ply at $198, prices were still at the relatively strong levels of last winter.

LUMBER REPORT

Federal timberlands

Prez extends lumber harvest deadline 5 yrs.

(Continued from page 53)

quently expected to flatten, certainly by the fall, according to this analysis. That is bad news for companies hoping to average high-price contracts with more moderate ones, because that solution depends on market prices for lumber that exceed the price level achieved from contract averaging.

"When you're trying to figure out how you're going to average $400 stumpage with $200 stumpage and beat the Canadian's $20 stumpage it's pretty tough," said Ehinger. "And the Canadians now have 33% of our market."

The President's plan covers sales entered into before Jan. 1, 1982 and includes a moratorium on interest payments during the contract extension period. It also requires that a strict year-by-year plan for harvesting Forest Service timber be filed by Dec. 31.

According to George Leonard, the Forest Service expects to have detailed instructions available by the middle of this month for companies interested in filing for contract extensions. He noted that the extension option was available to all timber companies.

"We've identified almost 400 companies with sales that would make it difficult to operate in the current market," he said. "But there may be other companies that we haven't identified for one reason or another that may want to extend sales.

"It's axiomatic that the longer period of time you have, the more flexibility you have to respond to markets."

"We plan to work with the Federal agencies to get the most flexible and reasonable interpretation of the President's directive," said John Hall, group vp, resources, of the National Forest Products Assn. "Then, if there are significant parts we disagree with we may

(Continued on page 55)

First qtr. report: lumber imports rose 55% in 1983

WASHINGTON—United States imports of softwood lumber, building boards and plywood rose by 55% in the first quarter of 1983, mainly because of the surge in housing starts, a new International Trade Commission study found.

Based on I.T.C. figures, softwood lumber, building boards and plywood imports were valued at $680 million in the first quarter of 1983, up from $371 million during the corresponding period of 1982.

"In terms of value, the imports of softwood lumber more than doubled, building boards rose nearly 75% and plywood increased about 20% between the two quarters," I.T.C. said.

While the United States imports some plywood from Asian Pacific countries, most of its wood product imports come from Canada.

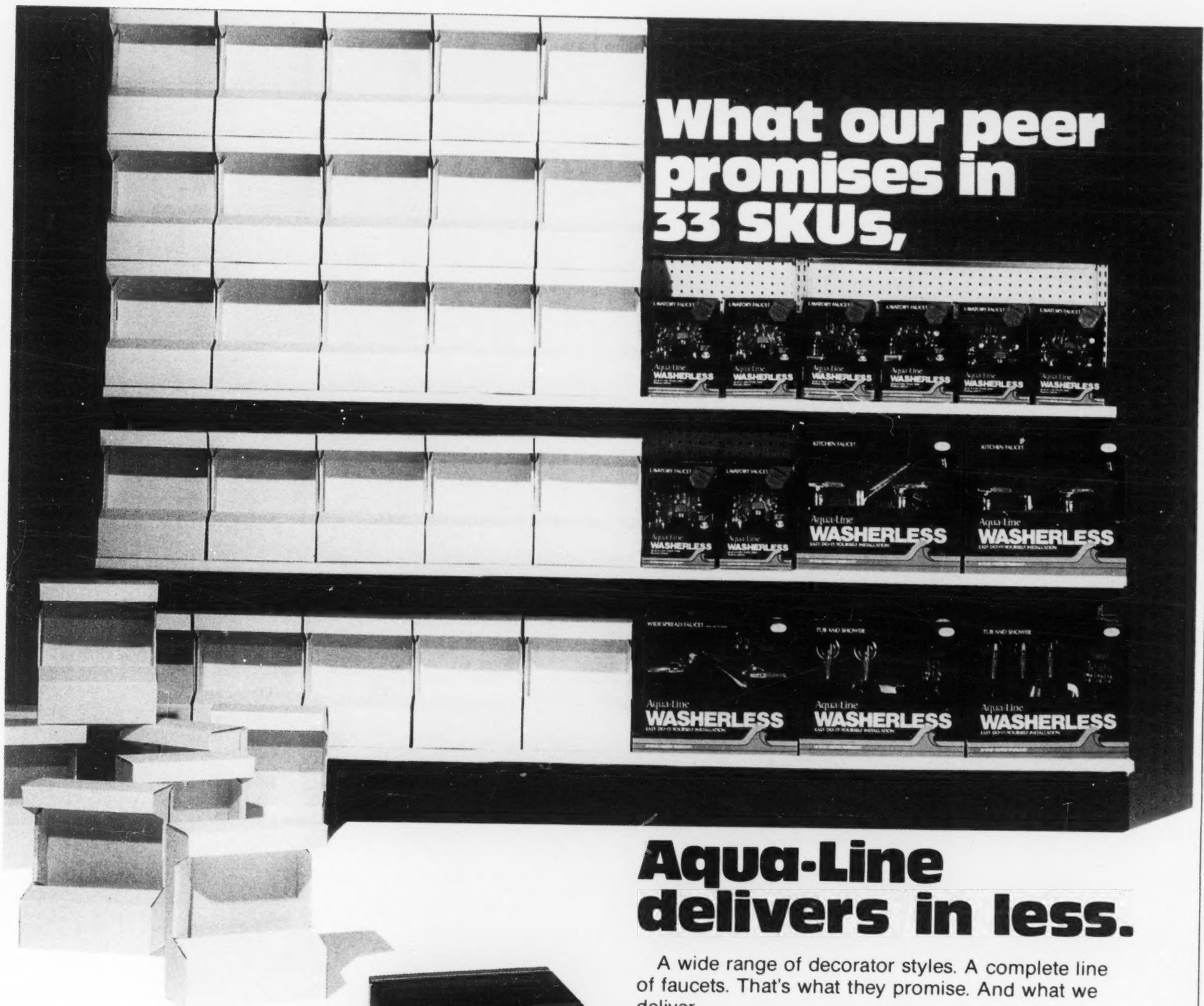
Overall United States imports of forest products rose from $2.1 billion to $2.3 billion this year with Canada generating $205 million of that increase.

However, because of the worldwide housing slump, United States exports of forest products fell from $2.1 billion in 1982 to $2 billion this year.

The most significant shift in exports was to Japan which only imported $420 million worth of United States forest products in the first three months of 1983—down 15% from the corresponding period last year.

On the other hand, United States plywood exports jumped from $55 million in the first quarter of 1982 to $78 million this year, while building board shipments increased 20% to $18 million during this same period.

"The majority of the increase in plywood exports went to Western Europe and building boards mostly went to Canada, as United States companies lowered their unit prices to compete with Asian and European suppliers," I.T.C. said.



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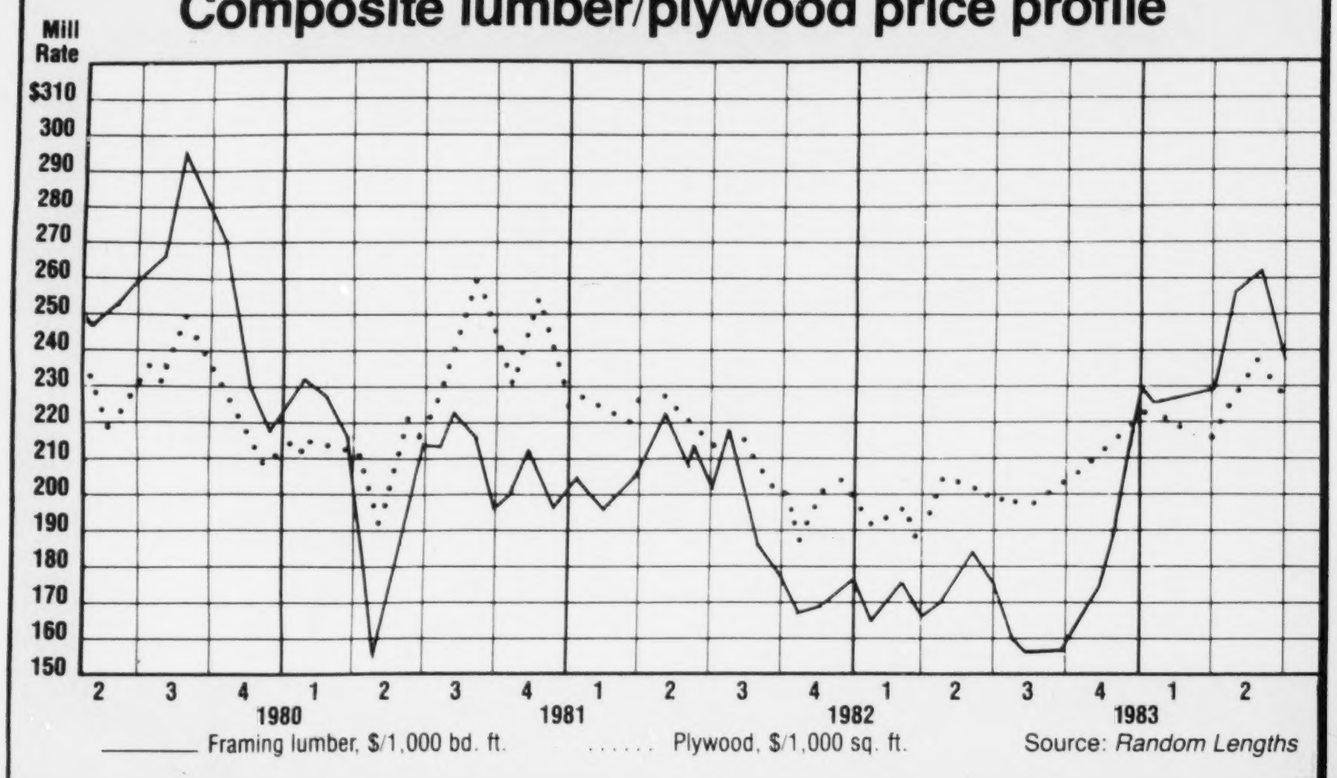
LUMBER REPORT

Composite lumber/plywood price profile



_____ Framing lumber, $/1,000 bd. ft. ..... Plywood, $/1,000 sq. ft. Source: *Random Lengths*

The framing lumber composite price dropped to $238 per thousand board feet in July from $260 in June, while the composite plywood price sunk to $228 per thousand square feet from $237 in June, based on Random Length's weighted averages of nine key lumber and seven key plywood items.

Composite prices were driven by strong demand and low inventory levels during the first half of the year when housing starts were up about 80% from 1982, with total seasonally adjusted starts averaging about 1.7 million units.

July's drop in prices could herald a less auspicious next six months. Some forecast a slowdown in lumber production following the cooling of the housing market that is expected to result from rising interest rates.

Reagan extends lumber harvest deadline 5 yrs. on Federal lands

(Continued from page 54)

attempt to get higher level review of those regulations."

For example, Ehinger said that forcing companies to harvest too much high-priced stumpage too soon, could limit the success of the relief effort.

"President Reagan signed off on a performance schedule," said Ehinger. "He didn't sign off on a rigid one."

Even if the contract extension effort is flexible and falling lumber prices do not counteract its effectiveness, there are still companies for which anything short of contract abrogation will not be enough.

Help for that segment of the industry will now have to come from the Congress, if at all. Winning the Executive action required achieving a consensus in an industry that had been split on the relief issue along company and regional lines. Ironically, gaining the President's help may make further assistance from Congress more difficult to gain. While some in the industry feel that only half a loaf was offered, others feel it was enough to sustain most companies.

"Many of us agree with Mark Hatfield's assessment that the Administration bought part of his program but neglected the other," said the NFPA's Hall. "Contract termination will continue to be important. But I don't know how wide the support will be."

Hatfield has said that he remains convinced of the need to allow the termination of certain contracts, although he concedes that the President's action may require revision of his legislative strategy. The Western Resource Alliance and other industry advocates of contract relief had originally hoped to resolve the issue completely with legislation.

"The last thing we want to do is appear ungrateful," said Ehinger.

"In legislation we tried to resolve the whole problem. We thought that made sense. You go to the well once and go home. We were forced into the corner of taking what we could get.

Ehinger noted, "We always viewed even a 10-year extension as a marginal affair. Off the top of my head I know 15 producers that probably aren't going to make it."

DIY firms invited to enter Dutch exhibition in Jan.

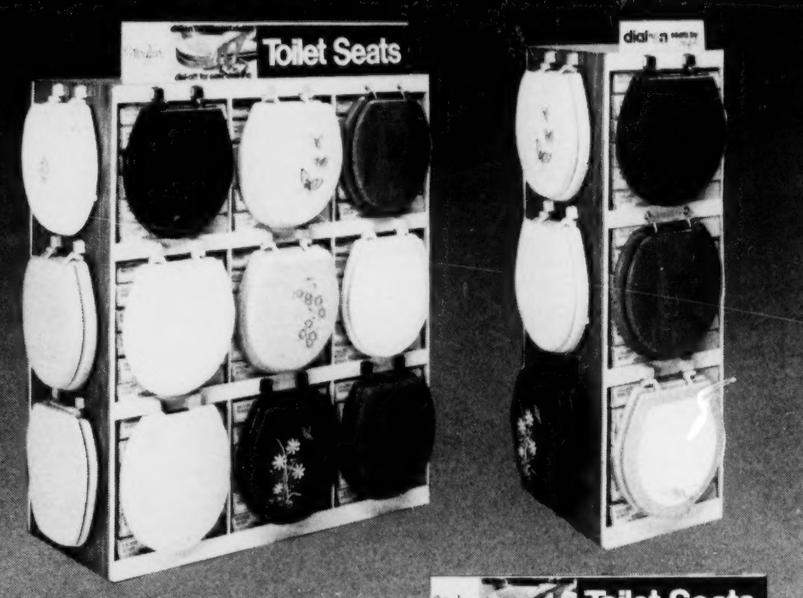
The 17th Annual Do-It-Yourself Products Exhibition "KARWEI" will be held at Jaarbeurs, Utrecht, the Netherlands, Jan. 22-25, 1984. Major displays will cover a wide gamut of DIY categories.

Offered for United States exhibits are: a 16-square-meter booth including carpeting, table and four chairs, shelving spot lights, name sign, wall plug socket for 220v/50 cycle electricity, counter planter and free use of the United States hospitality lounge and bar. This will cost $2,300. An alternative plan offers a half-booth for $1,150 or a catalog and price list display in the business information office for $200.

The Dutch DIY market is estimated at $1.3 billion.

Interested corporations may contact Conrad van der Knaap, U.S. Department of Commerce, International Trade Administration, Foreign Commercial Service, American Counsulate General, Museumplein 19, 1071 DJ Amsterdam, Netherlands.

SALESMAKERS



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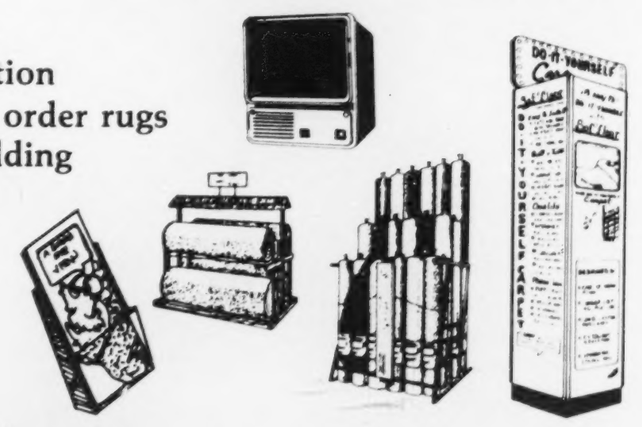

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FINANCIAL NEWS

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Hines Lumber	6/30-2nd qtr.	$ 69,073	$ 49,221	40	$1,687	– $23,539	—
Lowe's	7/29-5 wks.	168,500	118,200	43	—	—	—
Scotty's	7/30-4 wks.	29,590	23,118	28	—	—	—
Southwest Forest Ind.	6/30-2nd qtr.	173,002	140,531	23	187	– 5,553	—

*$ in thousands

Source: Company reports

Forest City board mulls recapitalization

CLEVELAND—Forest City Enterprise's board of directors was scheduled to meet this month to consider a proposed recapitalization intended to provide the company with the capacity to fund future capital needs through the issuance of common stock while at the same time permitting continuity of management, officials said.

Under the proposal, two classes of common stock would be authorized and each existing outstanding share of common, currently traded on the American Stock Exchange, would be converted into one new Class "A" share and one new Class "B" share.

Holders of Class "A" shares would be entitled to elect 30% of the board of directors while holders of Class "B" shares would be able to elect the other 70%.

On other matters, the two classes would vote together with each Class "A" share having one vote and each Class "B" share having 10 votes.

The Class "A" shares would have a dividend preference and each Class "B" share would be convertible to one Class "A" share.

If the board approves the proposal, the company would submit it to shareholders for approval.

Among the company's holdings are 20 home centers.

Scotty's July volume jumps 28%

WINTER HAVEN, Fla.—Aided primarily by sales increases in its builder business, Scotty's posted a 28% overall gain in volume to $29.6 million in the four-week period ended July 30 compared to the corresponding four weeks last year, executive vice president Dennis W. Stults announced.

Sales to builders for the month were about 70% better than they were last year, he said, while consumer volume increased about 15% in the period from a year ago.

Hines reports retail, wholesale sales increases

CHICAGO—Sizable sales increases in both its retail and wholesale segments helped Edward Hines Lumber to a 40% gain in sales from continuing operations during the second quarter, according to president Edward Hines.

Hines told shareholders that sales rose from $49.2 million in the second quarter last year to $69.1 million this year to contribute $1,176,000 in profits from continuing operations. A $511,000 tax benefit from operating loss carryforward brought net income for the quarter to $1,687,000.

In the second quarter of 1982, Hines reported a net loss of $23.5 million which included: a $211,000 loss from continuing operations; a $3.5 million loss from discontinued operations, namely its mills, and a $19.9 million special charge for estimated costs and contingencies, namely timber contracts, associated with disposition of its manufacturing facilities.

The mill divestiture program was substantially completed during the second quarter and brought to the company about $50 million, $24 million of which was used to extinguish long-term debt, Hines said.

Increase sales

He noted that sales to DIY-ers continued to improve and contractor sales rose "substantially, reflecting strong building activity," in the quarter just ended.

Hines indicated that the company remains bullish on the do-it-yourself market (*NHCN*, July 18).

"We intend to take full advantage of this market by making improvements in our present home centers and conventional yards," he said. "Sales and earnings should be increased through refined and targeted advertising and merchandising programs. New facilities will be considered where the demographics and consumer trends support the capital investments."

STOCK PRICES

	As of 8/5	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	36⅛	47⅜	22	25
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	16¾	19½	4⅞	—
Forest City (AMEX)	29¼	30⅝	11½	18
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	43⅝	50⅜	28½	12
Lowe's (NYSE)	24¾	32¾	8⅞	28
Pay 'N Pak (NYSE)	19⅛	24	18⅜	14
Payless Cashways (NYSE) [Furrow]	28	34½	10⅝	30
Scotty's (NYSE)	16⅝	21⅛	10¾	17
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	16⅛	16½	7¼	—

Nasdaq national—over-the-counter stocks

	As of 8/5	52-week High	52-week Low	P/E Ratio
The Home Depot	26⅞	31⅛	12	—
Pay 'n Save	22¾	51	16½	—

Over-the-counter stocks

	As of 8/5 Bid	As of 8/5 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	18¾	19¾	23	8½
Hechinger	23½	23¾	38½	15⅛
Home Centers of America	8¼	9	12½	5
Home Centers of America (units)	25	27	38	13¼
Hines Lumber	29½	31	30½	13
Scotts Seaboard [Scott's]	4⅝	5¼	4¾	⅝
Wolohan Lumber	7⅝	7¾	10⅛	3½

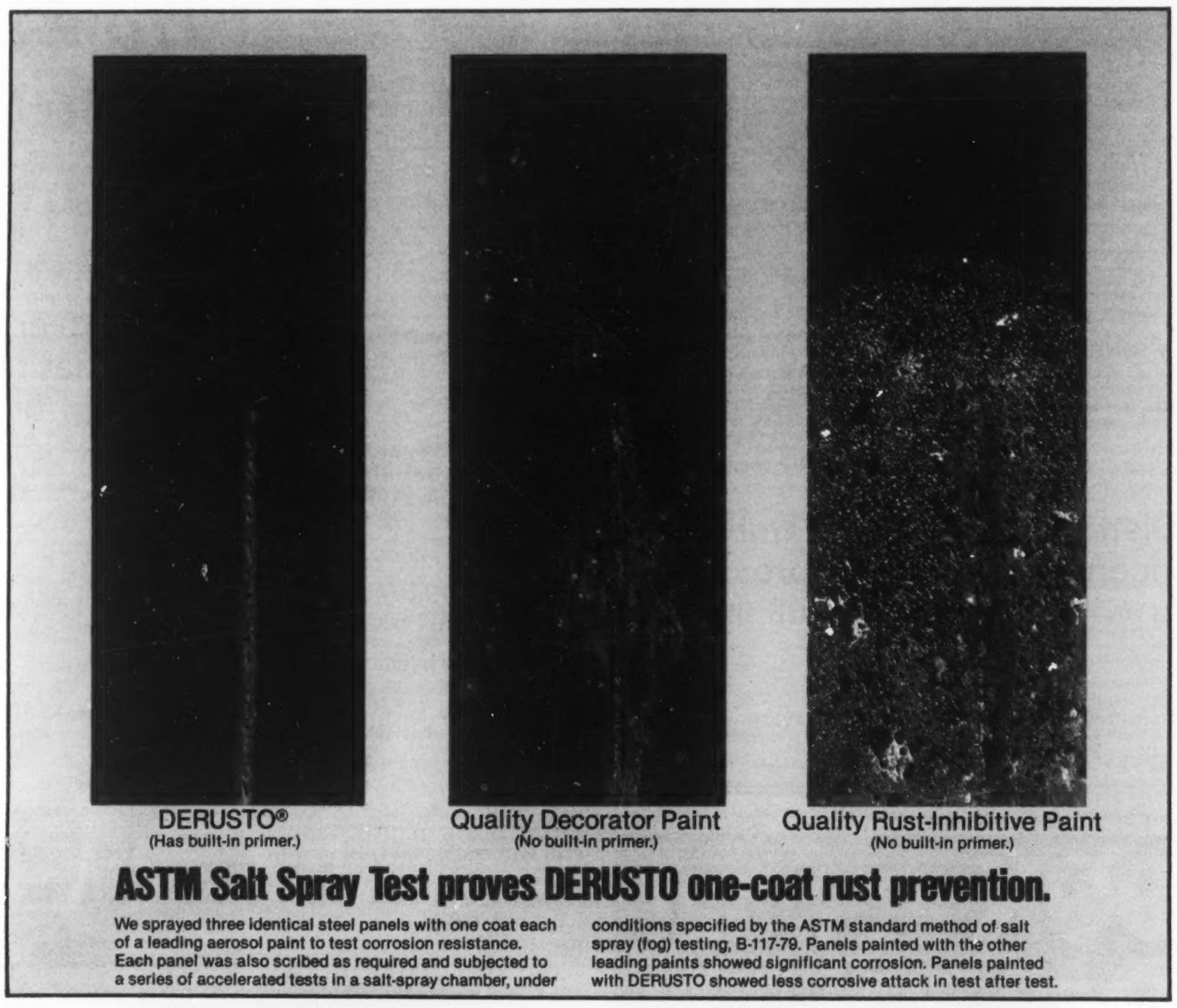

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Photo merchandising feature:
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National
Home Center News

Vol. 9, No. 19 | The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. | September 12, 1983

Employees of Home Lumber & Hardware, Rosenberg, Tex., collect sections of corrugated steel, torn from the store's roof by Hurricane Alicia. The debri, representing two-thirds of the 10,000-sq.-ft. store's roof, came to rest 150 ft. from the building.
Photo courtesy of Rosenberg Herald-Coaster

Hurricane Alicia blows roof off Texas home center biz

Storm's fury damages stores; prices soar

By David Morgan
NHCN field editor

ROSENBERG, Tex.—"When you own your own business and the roof comes off in a storm, you can't sit around at a meeting 300 miles away—a business needs its owner like a family needs its daddy."

Such is the conviction that drove Lee Leaman to travel five hours through the wind and rain of Hurricane Alicia last month, before reaching his store in this Houston suburb.

The president of Home Lumber & Hardware Inc. had been in Shreveport, La., for a meeting of the Allied Building Stores buying group when he received an emergency call from his general manager. Wind from Hurricane Alicia had torn away two-thirds of the roof covering his 10,000-sq.-ft. store, causing water damage to computer registers, the phone system, office fixtures and merchandise.

Within the hour, he began the long trek south by car. "There were a few times that all I could see was one stripe on the pavement," Leaman recalled. "I got scared when my gas tank was only three-eighths full, and all the towns around me were out of power, but I found a place to fill up in Cleveland, Tex."

"I guess I was just lucky," he added. "The hurricane followed I-45, and I took I-59."

Alicia struck the Texas coast on the morning of Aug. 18, bringing with her 115-mile-an-hour winds and more than a foot of rain. By last report, her toll was said to include 17 deaths and up to $1.6 billion in property damage. Hardest hit was Galveston Island, which passed through the eye of the storm. One retailer said several thousand homes on the island's west end had been all but devastated by wind and flying objects.

In addition to Home Lumber & Hardware Inc., home center companies like Payless Cashways and Handy Dan reported substantial damage from the storm. David Krumholz, Payless' district manager in Houston, said two of the chain's nine area stores suffered structural damage to their warehouse sec-

(Continued on page 46)

'Meet or beat' pricing strategies taking hold of Chicago

CHICAGO—The heat of summer promotions has begun to concern home center retailers here, who fear that a price war could be simmering.

Most retailers claim that the new intensity of promotions this summer is little more than "business as usual," as dealers try to stimulate traffic.

Others, however, can't help but notice a wave of aggressive new pricing policies. Forest City, Joseph Lumber and Courtesy Home Centers have all, in recent months, adopted pricing positions that promise to "meet or beat any competitor's price."

Virtually all executives, though, agree that no one can afford to engage in a protracted price slashing battle.

"Chicago is still a relatively stable and reliable market," said Joseph Ender, president of four-unit Courtesy in Mount Prospect, Ill. "And there are no big corporations with stores here that can afford to slash prices and take losses at the end of the year. We're all local chains and need to make a profit. And you don't do that by lowballing your merchandise in your ads."

Perhaps, but many of the strong local operations appear to be aggressively jockeying for a larger slice of market.

Handy Andy, Gurnee, Ill., for instance, opened its 12th and 13th stores last spring. Joseph Lumber, headquartered here, just opened its fourth store. Eighty-four, the only national competitor, just opened its fifth and Courtesy will open a fifth by December. During the past year Handyman closed its three units, and Plywood Minnesota came under new management.

At the same time, while chains elsewhere in the country report banner years, the recovery has not materialized to the same degree among Chicago consumers, according to home center executives like Ted Joseph, general manager of Joseph Lumber. He noted that shoppers "are holding off buy-

(Continued on page 46)

Forest City in Chicago has jumped on the pricing promo bandwagon. NHCN photos

Manufacturers urge I.T.C. to probe 'rip-off' imports

By Ken Rankin
Washington correspondent

WASHINGTON—The International Trade Commission is under mounting pressure to expand its trademark counterfeiting probe to include "look alike" imports designed to appear similar but not identical to better-known United States brands.

In hearings late last month, both consumer activists and manufacturers urged the I.T.C. to widen its investigation, which began in February, to include "look alike" items.

Retail industry lawyers argued that limiting importation of such items would be disadvantageous to consumers who benefit from the imports' lower prices. Agency officials, for the moment, said they do not plan to study the "look-alike" issue.

"By concentrating solely on the . . . infringement of registered trademarks, the commission runs the risk of severely understating the gravity of this problem," warned attorneys for the broad-based International Anti-counterfeiting Coalition.

"In the real world, counterfeiting is a generic problem," they continued. "Unauthorized deceptive use of registered trademarks is merely one of several species of fraudulent practices all of which are designed to confuse the consumer by substituting a look-alike fake product for the genuine article."

In testimony during the I.T.C. hearings, coalition president James Bikoff said that "the commission's previous experience in cases involving cast-iron wood stoves" and other product lines "makes it particularly well-suited to appreciate the multifaceted nature of the coun-

(Continued on page 46)

1984 plan accelerated

Bowater stores debut in Texas

PLANO, Tex.—Bowater Home Centers opened its first two stores in Richardson and Mesquite, Tex., on Aug. 25, and will have its third unit in Arlington operational next month.

The company, which is a wholly owned subsidiary of Bowater North America in Old Greenwich, Conn., plans to have up to eight stores opened in the Dallas-Fort Worth Metroplex by early 1984 and from 40 to 50 throughout the Southeast by 1990, according to chain president Ralph Dillon (*NHCN*, July 4).

These plans appear to call for more accelerated expansion than Bowater executives had initially envisioned. Dillon told *NHCN* in June that the chain would open its first three stores "by the end of 1983," and over the following 18 months would have three additional Metroplex stores, another "in Texas," and three more in "new markets" that he declined to specify (*NHCN*, July 4).

Each store will be a 70,000-sq.-ft. warehouse-style home center, the first such operation to do business in the market. The stores will have 18 departments and stock 30,000 sku's, or $1.8 million to $2 million in inventory at cost. Each will be manned by 100 employees.

Bowater's management team consists of a number of home center veterans with experience from several large chains around the country, including Dillon (who spent 10 years at

(Continued on page 45)

NEWSBREAKS

WICKES SHOWS PROFIT. Wickes Cos. recently reported its first quarterly profit since 1981 with an income of $11.7 million on sales of $752.7 million for the three months ended July 30. Wickes, which continues to reorganize under Chapter XI, had a loss of $566,000 on sales of $693.1 million a year earlier.

INSIDE:

O'MALLEYS' ACQUISITION of Handy Andy strengthens the Phoenix-based chain's dominant position in the Arizona market ..... Page 3
WOLOHAN LUMBER'S fortunes appear to be rebounding as the chain posts its fourth consecutive quarterly sales gain Page 3
EXTENDED OPERATING HOURS helped Star Lumber, Wichita, Kan., post a 50% sales increase at a relocated unit Page 6

NHCNews Briefs

Industry Update

Lowe's plans doubling of space

NEW YORK—Lowe's will soon announce a plan to almost double its 2.3 million sq. ft. of selling space during the next three years, according to comments made by chain officials at a security analyst meeting here late last month.

The revelation came in response to analysts' questions about the relatively slow expansion of the 235-store chain, according to Barbara Alexander, vp Smith Barney Harris Upham.

She noted that the additional space would be the equivalent of about 100 20,000-sq.-ft. stores. Most likely it means accelerated implementation of the "super" prototypes (*NHCN* May 23). "There's a lot of incremental selling space that you're talking about here," Alexander said.

In an August report on Lowe's, Alexander wrote: "Admittedly, a substantial amount of this will come from the expansion of existing stores [either on their current sites or by relocating them], but a substantial amount of new construction will be involved in any event.

"We expect the unveiling of this plan sometime in the next three months, and its implication of Lowe's could be substantial."

Copeland opens five new units

PORTLAND, Ore.—Copeland Lumber Yards has opened five new units—four in Washington and one in Oregon—following a cash purchase of the sites for an unspecified amount.

Three of the units are in southeastern Washington in the cities of Pasco, Kennewick and Richland. Another unit is in Freeland, Wash., on Whidbey Island northwest of Seattle. The fifth unit is in Hermiston, Ore.

The units, which opened Aug. 1 under the Copeland Lumber banner, were formerly independents. The yards have "the potential" to generate $1 million in annual sales volume each, according to a Copeland official.

Copeland now operates 82 units in the states of California, Washington, Arizona, Oregon, Nevada and Idaho. Estimated 1982 sales for the privately held company were $75 million. Its units range in size from 3,000 to 6,000 sq. ft., and its percentage of consumer sales is roughly 50%.

Handyman expands 20% promo

PHOENIX—Less than a month after debuting a "20%-off" promotion in its nine Dallas stores operating under the Homer's trade name, San Diego-based Handyman has extended the promotion to its five Handyman stores located here.

Harvey Rosen, president of the 80-unit chain, declined to comment on whether the 20%-off promotion will be extended to California where most Handyman stores are located.

The 20%-off program applies to every item in the store, including on-sale merchandise. A full-page ad announcing the promotion ran in the Aug. 27 *Arizona Republic* and is virtually identical in layout and wording to an ad published in the July 22 edition of the *Dallas Morning News* (*NHCN*, Aug. 29).

Asked if the 20%-off promotion would continue indefinitely, Rosen responded, "We'll see how well it goes before we determine how long it is going to last."

Show attendance up

CHICAGO—Attendance at the 1983 National Hardware Show totaled 73,676, an increase of 5% over the previous year, when 70,474 attended, according to the Cahners Exposition Group. The 1981 show still holds the record for the all-time high when 74,957 attended.

The number of exhibitors totaled 2,936, a new high. The Automotive Aftermarket division accounted for 150 exhibitors.

National Home Center News.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $20 a year ($21 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 9, No. 19 September 12, 1983

1st retailer joins Eagle program

Stambaugh installs auto. computer order system

By Phillip M. Perry
NHCN associate editor

YOUNGSTOWN, Ohio—Stambaugh Thompson, the 20-unit home center chain, has become the first retailer to join the Eagle automated purchase order entry system.

Ace Hardware, the dealer-owned wholesaler distributing to 4,300 stores, has also joined Eagle, a system designed primarily for speeding orders between wholesalers and suppliers.

Both companies say they joined the system to cut lead times and reduce costly inventory levels. The American Hardware manufacturers Association officially introduced the system late last year. (*NHCN*, Aug. 15)

"Our lead time should be reduced by at least 15%," said Don Senne, general merchandise manager at Stambaugh Thompson, which joined Eagle in early July.

Lead time extends from the point at which Stambaugh Thompson first determines merchandise must be replenished until the merchandise has been received at the distribution center and processed internally, ready for shipment to stores. Senne said lead time should be reduced from its current four-week cycle to 3½ weeks or less.

Senne also expects to reduce company inventory levels by about 15% as a result of the Eagle program. "Such a reduction is important to any home center chain where inventory represents such a high proportion of assets," he noted.

Stambaugh Thompson is now converting its old purchase order software system into the Eagle format, a process which involves the reassigning of stock numbers for individual items. Senne believes the process will take another two months. He expects the Eagle system to be in place by October.

Although only 20% of Stambaugh Thompson's current vendors have signed contracts with Eagle, Senne expects that percentage to increase.

"I have been talking with a number of our key vendors, who tell me they have long been considering joining Eagle and now looks like the logical time," said Senne. Based on reactions he has been getting from his regular vendors, Senne expects up to 50% of them to soon join the system.

Stambaugh Thompson has an IBM 38 mainframe computer which is compatible with the Eagle system. While the chain orders primarily from manufacturers, it also expects to use Eagle to order from the few distributors on its ordering list.

Individual stores in the chain use hand-held computer terminals to order merchandise.

Although the Eagle system has been available to retailers since the first of the year, no other chain has yet signed a contract. "The probable reason is that everyone is waiting for the other guy to join," offered Senne. "Retailers and distributors are waiting for more manufacturers to join, and manufacturers are waiting for more distributors and retailers to join."

Even so, said Senne, the system offers an important opportunity to retailers.

"Any home center chain I know of is committed to elec-

(Continued on page 45)

July housing starts off due to interest rate speculation

NATIONAL REPORT—Housing starts were off in July, but only by 0.6% and permits were up by 3%, a performance that seemed strong since it occurred amid speculation that rising interest rates would dampen home production.

Total seasonally adjusted starts in July dipped to 1.74 million compared to 1.75 million in June. And June's figure was down from 1.8 million in May. However, for the first seven months of 1983, total starts averaged 1.7 million units.

Some industry observers expected that level of starts to flatten somewhat during the second half of the year because of rising interest rates. But, late last month VA/FHA mortgage rates dipped to 13% after having risen steadily to 13.5% from 11.5% in June.

"Obviously it's a step in the right direction," said Dean Crist, National Assn. of Home Builders research analyst. "It can't do anything but help."

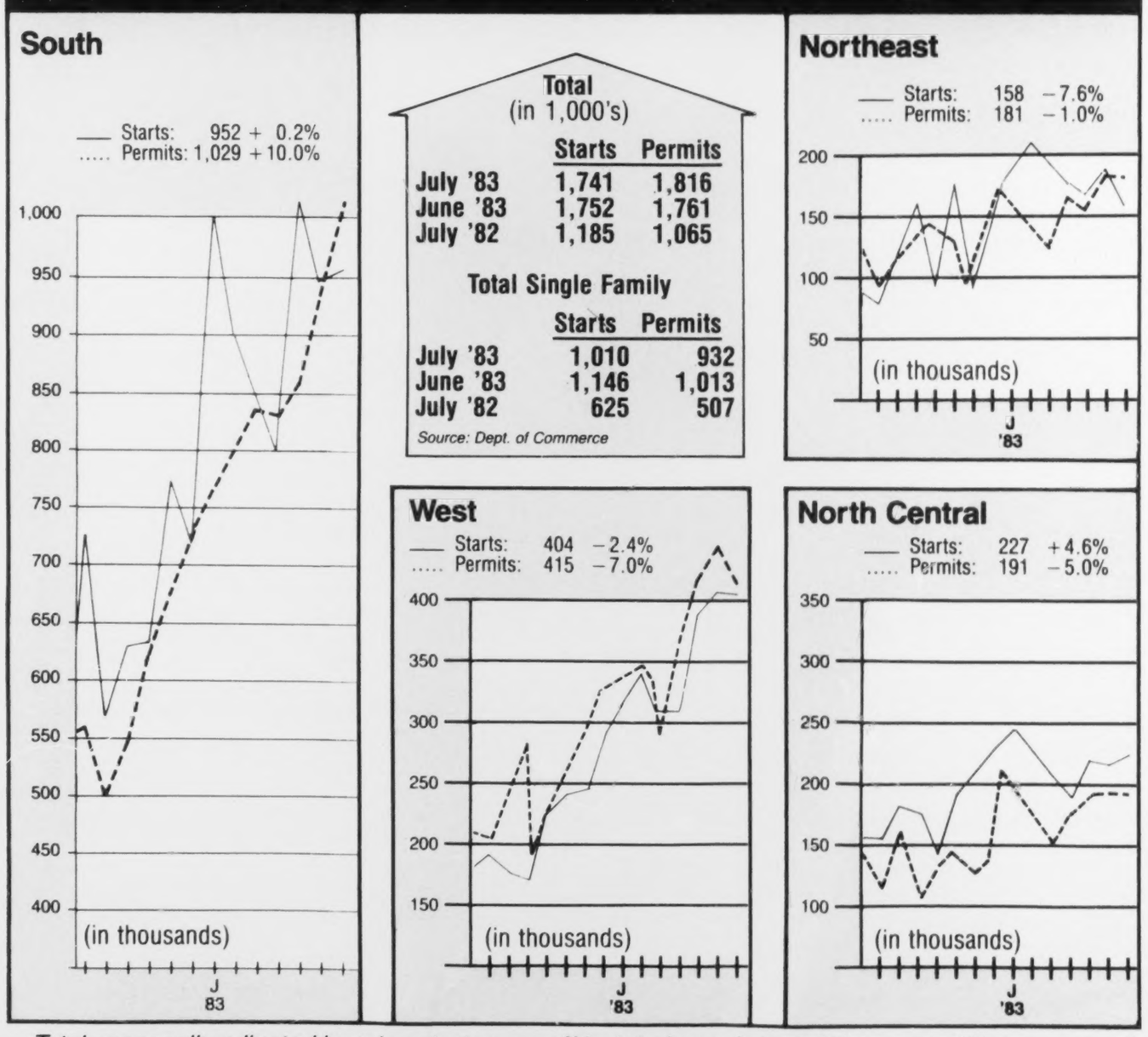
The larger question, he feels, is whether rates will decline further, increasing housing's affordability. The NAHB late last month was revising its 1984 forecast to accommodate the assumption that, while rates may fall, they will not fall that much.

Crist noted that the size of the Federal deficit and its affect on crowding housing out of the credit market remains the single-largest dilemma hanging over the future of housing's recovery.

"Push is going to come to shove quickly in the credit mar-

(Continued on page 45)

July home-building activity



Total seasonally adjusted housing starts were off in July, but only by 0.6% to 1.74 million compared with 1.75 million in June. The performance seemed relatively strong, since it occurred amid industry speculation that rising interest rates could dampen housing's recovery. In fact, seasonally adjusted, total permits were up 3% in July. However, seasonally adjusted single-family starts and permits were off 11.9% and 8%, respectively.

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FINANCIAL NEWS

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Erb Lumber	6/30-2nd qtr.	$ 38,056	$ 26,828	42	$ 1,094	$ 511	114
Lowe's	7/31-2nd qtr.	418,057	291,576	43	18,258	8,513	114
Scotty's	7/2-4th qtr. 7/2-Year	107,023 358,982	89,879 308,013	19 17	4,176 11,316	3,473 11,095	20 2
Wolohan Lumber	6/30-2nd qtr.	31,924	25,082	27	879	483	82

*$ in thousands

Source: Company reports

Scotty's posts 20% net gain in quarter

WINTER HAVEN, Fla.—Solid sales gains late in its fiscal year, especially in the fourth quarter ended July 2, helped to push Scotty's sales up 17% to $358,982,000 and its earnings up 2% to $11,316,000 for the year, officials announced.

The 102-store chain posted a 20% gain in net income in its last quarter to $4,176,000 on a sales gain of 19% to $107,023,000 compared to the previous year. The sales gain was boosted by a 22.4% increase in sales at stores opened in both 1982 and 1983 and a 72.1% hike in builder volume during the quarter, according to officials.

The quarterly sales increases were particularly impressive because this year's fourth quarter included 13 selling weeks while the like period in fiscal 1982 included 14 selling weeks.

For the year, sales at comparable Scotty's stores were up by 11%, showing a steady increase since the first quarter of fiscal 1983 when they were down less than 1%, officials indicated.

Builder sales have shown a similar recovery from the first quarter of the fiscal year when they slipped by 3.8%. The steady growth culminated with an 83.2% increase in professional volume in June to boost fiscal 1983 builder sales up 31% to better than $90 million from the year earlier, officials said.

Builder volume claimed 27.5% of the fourth quarter sales and 25.1% of annual sales.

For the year, consumer volume was up 15% to nearly $269 million from the previous year.

During 1983, Scotty's opened five new stores, a replacement store, consolidated two of its Key West, Fla., units into one and closed another outlet, officials said.

Lowe's matches 82's total earnings in first six months of 1983

NORTH WILKESBORO, N.C.—Lowe's rode a 43% increase in second quarter sales (*NHCN*, Aug. 29) to more than double its net income for the period and surpass 1982's total earnings after only the first six months of fiscal 1983.

The 235-store chain posted net income of $18,258,000 in the second quarter ended July 31 on sales of $418.1 million. The earnings figure was 114% better than in last year's second quarter when it totaled $8,513,000.

Through its first half, Lowe's earnings stood at $26.9 million, nearly $2 million ahead of the $25.1 million in earnings that the company accumulated all of last year.

Officials attributed the sharp rise in profits to its sales gain, particularly in builder sales which were sparked by a resurgence in home building and rose 63% in the quarter to $203.7 million. Retail volume grew by 28% to $214.4 million compared to a year ago.

Programs to improve gross margins, continuance of expense controls and a 42% gain in sales at the 233 Lowe's outlets opened for at least a year also contributed to the earnings rise, they noted.

Erb's profit growth reflects recovery in construction industry

BIRMINGHAM, Mich.—A 211% increase in builder sales in Erb Lumber's southeastern Michigan markets helped the company more than double its second quarter net profits, officials said.

Net income

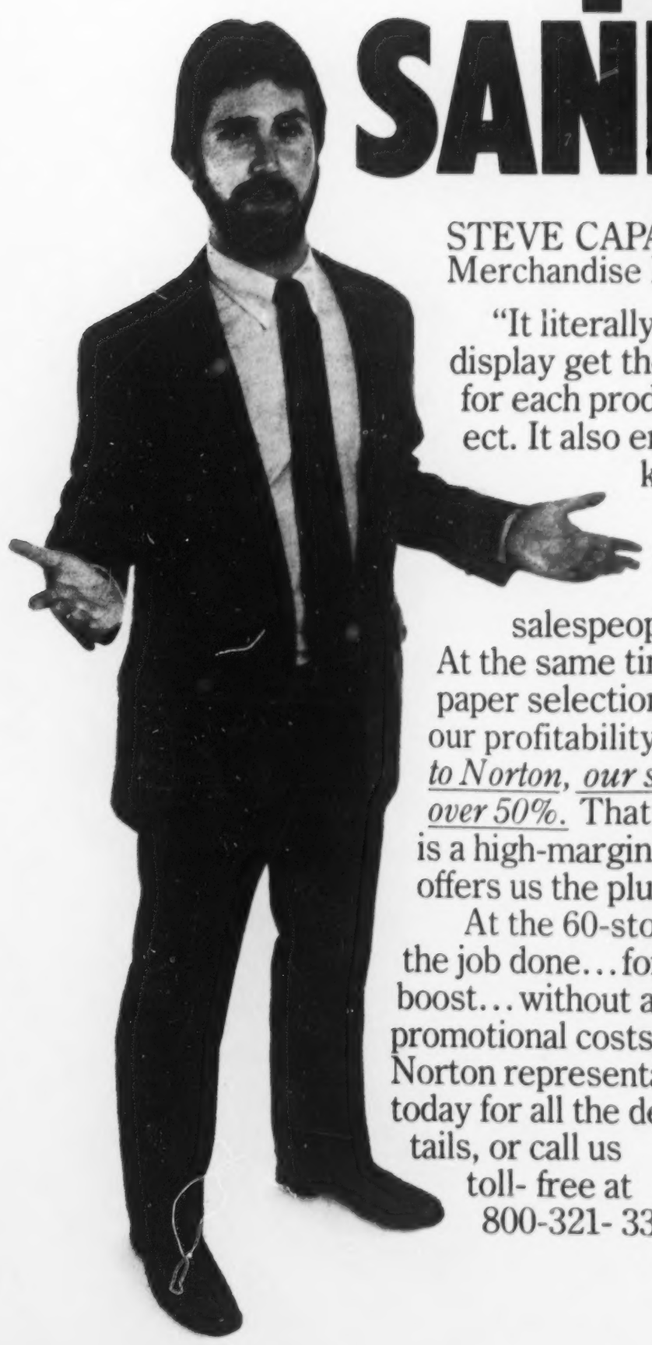
Net income rose 114% to $1,094,000 on a sales gain of 42% to $38,056,000 in the period ended June 30 compared to the same quarter last year.

The results brought first half profits to $876,000, compared to a net loss of $697,000 last year. Revenues were $60.6 million, 41% better than a year ago, according to officials, who said the company's performance reflected a continuing recovery in the home construction industry.

Upswing noted

Consumer sales were up better than 10% in the first six months compared to year-ago figures, said finance vp Richard K. Rappleye.

"THANKS TO NORTON, BUILDERS EMPORIUM DOESN'T HAVE TO SELL SANDPAPER."



STEVE CAPASSO
Merchandise Manager, Builders Emporium stores.

"It literally sells itself. The Norton Handy Pack sandpaper packaging and display get the message across to our customer by showing a specific use for each product. This helps the customer buy what he needs for his project. It also encourages him to buy a range of Handy Packs for different kinds of tasks. Now that he knows there are specific grades for each job, he's willing to make a multiple purchase."

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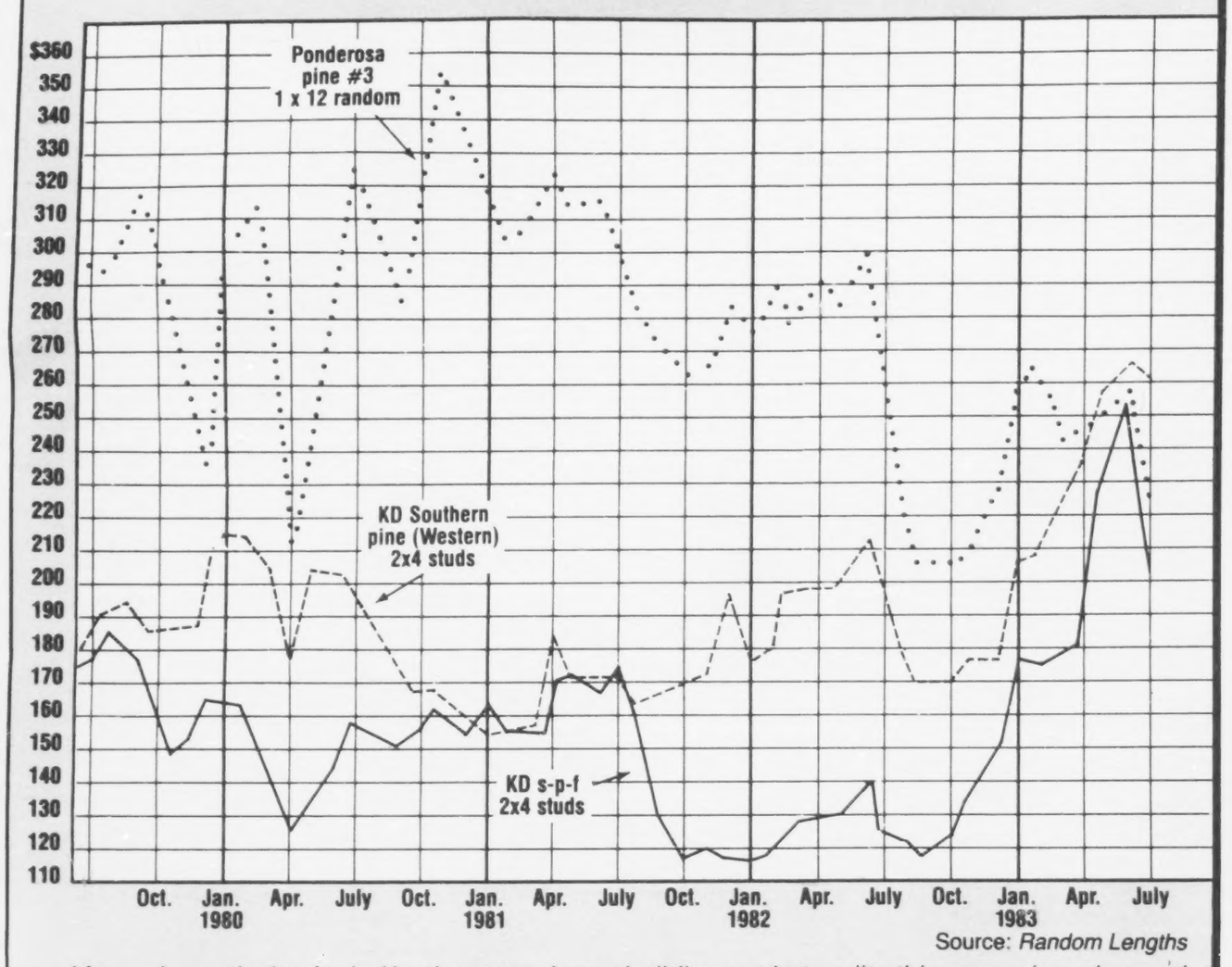
Commodity close-up: Studs & boards

Average monthly mill prices



Source: *Random Lengths*

After a dramatic rise fueled by the strong home building market earlier this year, prices dropped toward the end of July and during the beginning of August because of uncertainty about the upward movement of interest rates.

Ponderosa #3 1 x 12 dropped from $258 per thousand board feet to $225 per thousand board feet between June and July. KD s-p-f studs dropped to $204 per thousand board feet from $255 during the same period. Southern pine studs were off only $4 to $262 per thousand board feet in July.

FUTURES

Two weeks ended Aug. 19, 1983

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Sept.	178.90	161.30	161.80	173.50	3,237	240.40	161.30
Nov.	190.50	174.50	175.50	185.10	3,942	229.90	168.00
Jan. '84	200.20	181.70	137.00	194.20	1,191	234.00	179.00
March	213.20	192.00	197.20	204.30	354	240.50	192.00
May	221.50	200.40	206.50	211.60	142	245.50	200.40
July	229.50	210.00	219.00	225.00	39	252.50	210.00
Sept.	235.80	218.00	227.00	23.90	18	235.80	218.00

Total Volume (Through 8/19): 35,850 — **Previous Two Weeks: 33,912**
Total Open Interest (As of 8/18): 8,923 — **Previous Week: 8,625**
Cash Price: $163.66 — **Previous Week: $161.70** — **Year Ago: $133.28**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Sept.	185.30	173.10	174.30	181.50	751	223.90	173.10
Nov.	188.80	177.20	178.00	184.30	337	226.60	177.20
Jan. '84	91.20	179.70	180.60	186.30	94	223.00	179.70
March	194.50	183.00	184.80	189.70	176	225.00	183.00
May	No Trading						
July	No Trading						

Total Volume (Through 8/19): 1,918 — **Previous Two Weeks: 1,350**
Total Open Interest (As of 8/18): 1,358 — **Previous Week: 1,307**
Cash Price: $178.36 — **Previous Week: $181.30**

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	272.9	274.5	233.5

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, Aug. 18.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Futures prices, like cash prices, have been depressed as a result of rising interest rates. While both lumber and plywood rallied somewhat, plywood remains at a discount to cash, creating pressure on cash prices.

Cologne Fair accent on building supplies

COLOGNE, West Germany —Building supplies will step into the limelight at the International Hardware Fair, to be held here from Feb. 29 to March 3, 1984. This new emphasis is reflected in the fair's extended subtitle, "Tools, locks & fittings, building and DIY supplies."

Nearly 2,000 hardware and building materials exhibitors from 35 countries are expected

Fair organizers point to a survey conducted at last year's International Hardware Fair to underline the importance of the Cologne show. According to that 1983 survey, about 45% of all visitors come from the wholesale trade and buying groups, department stores, mail-order houses and hypermarkets. Almost 20% are from building and DIY markets, the building supplies and timber trades. Approximately 80% of respondents questioned from the building and DIY markets and 60% of buyers from the timber and building supplies trades are regular visitors.

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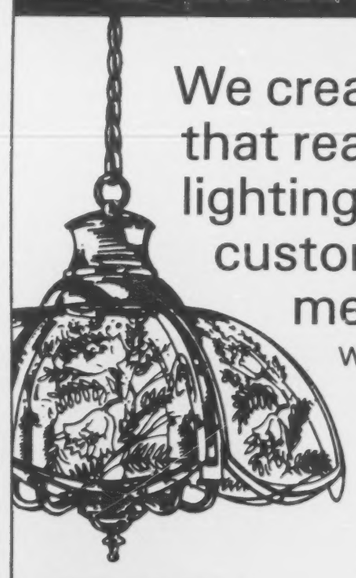

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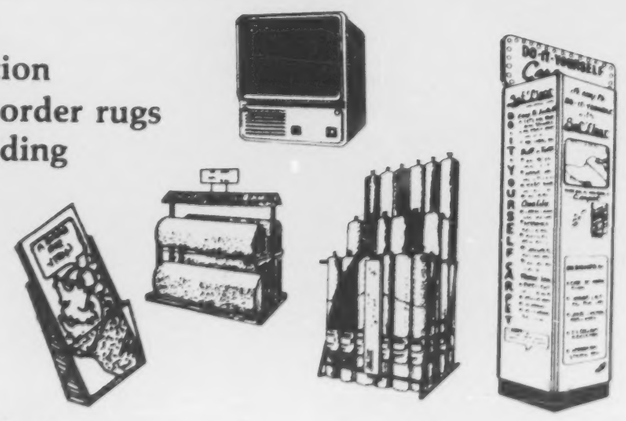

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National
Home Center News ®

Vol. 9, No. 20 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. September 26, 1983

NHCN photo

Channel truck convoy on the Capital Beltway heralded arrival of the chain's first Washington-area stores in Alexandria and Fairfax, Va. Exterior signing boldly proclaims Channel's new "warehouse prices" strategy as the W. R. Grace-owned chain attempts to gain market share at the expense of hometown Hechinger.

Channel hits D.C. with first 2 stores, warehouse prices

By Kenneth Schept
NHCN senior editor

WASHINGTON—After several years of preparation and delay, Channel Home Centers opened its first two stores in the Washington market on Sept. 1, just days before Hechinger opened its 20th.

Banners across the store fronts of the 45,000-sq.-ft. Alexandria and 55,000-sq.-ft. Fairfax, Va., Channels proclaimed "warehouse prices," a new strategy that the 97-unit chain adopted to spar with hometown Hechinger.

Besides using sharp pricing, Channel expects to gain market share with interceptor locations because, in this sprawling metropolitan area of 1.2 million households with median incomes of $30,108, convenience may prove to be a strong advantage.

Service is also part of Channel's strategy. Free coffee is offered to customers during the prime DIY shopping hours of Saturday morning. In addition, Channel's "Wally Barnett" and "Cappy Girl" customer assistance programs will be stressed.

The New Jersey-based chain plans to open two more Washington-area stores by the end of this month in New Carrollton and Forestville, Md. Four or five units will open in the market next year, according to senior vp Charles Tabak. He said the company, which is now negotiating three leases and looking at additional sites, would ultimately open up to 20 stores near Washington and Baltimore.

(Continued on page 8)

Central transforming 4 Indy units to warehouse format

INDIANAPOLIS—Central Hardware officials have confirmed that the 29-unit St. Louis chain has begun retrofitting its four stores here into warehouse-style home centers.

In addition, when Central opens its fifth Indianapolis store next March, it, too, will be a retail warehouse outlet.

The project is being supervised by plumbing and electricals buyer Bob Ligon, *NHCN* has learned. Ligon would not comment about its initial progress. One company source, who asked not to be identified, said that Central was renovating its stores in the north and south sides of the city first, with the east and west units to follow. Completion of the remodeling is scheduled for sometime in late November, he said.

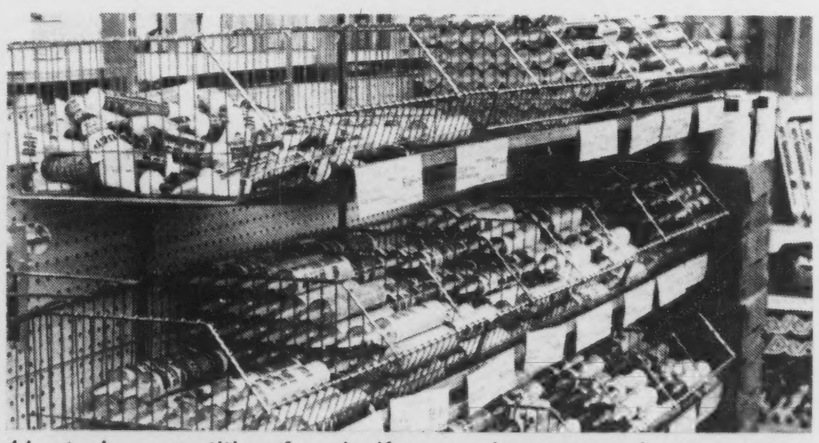
Company president Jim Cohen also declined to comment about Central's plans, except to say that more detailed information would be forthcoming "in about 30 days." When asked whether the Interco-owned comany intended to make all its stores warehouse operations, Cohen responded, "No, we have no plans to convert the entire chain."

Central's actions in Indianapolis represent a bold move by a company whose growth over the past three years, when compared with some of its competition, has been conservative.

The company, with 25 stores in fiscal 1980, opened two units in Columbus, Ohio, and two in Memphis, Tenn., while replacing one of its older stores in St. Louis with a new facility, all in 1981, according to Interco's annual report that year.

During that period, Central also expanded its distribution center and announced plans to open two units in Kansas City in

(Continued on page 50)



Heated competition for shelf space is expected among new varieties of silicone caulking and standard acrylic lines.
NHCN photo

Silicones chip away at acrylics market edge

NATIONAL REPORT—The price of silicone caulking has fallen dramatically at home centers, and buyers now expect a battle to heat up between silicone and acrylic varieties.

The expiration of major silicone patents over a year ago has led to the emergence of new vendors and the resulting competition has brought about plummeting prices.

"During the past six months, prices of silicone caulking have dropped from 20% to 30%," said David Matthews, vp of retail operations for the southern division of Hill-Behan Lumber, St. Louis. Most of this reduction has been translated into reduced shelf price.

(Continued on page 13)

Cotter's new distribution facility to serve nonmembers, test UPC

By John Caulfield
NHCN associate editor

MINNEAPOLIS—Cotter & Co. is slated to open a 60,000-sq.-ft. warehouse here called "Dealer's Supply" next month which will sell to local retailers not affiliated with the 7,000-member co-op wholesaler.

Those dealers interested in purchasing merchandise from Dealer's Supply will need to be on file with the new facility, and have an identification card bearing the buyer's picture before a sale is transacted. Cotter will issue a promotional mailing about the new operation to more than 2,000 dealers within a 70- to 100-mile radius of the unit, officials said.

The Chicago-based Cotter, with 1982 sales of $1.4 billion will use the warehouse to experiment with Uniform Product Code stickers on an estimated 17,000 sku's to be carried. The company has worked in conjunction with the Uniform Product Code Council in Dayton, Ohio, to develop the bar codes for products stocked in the warehouse, which will be operated from a building previously owned by Cotter's retail chain, Warner True Value of Shakopee, Minn. The building has been dormant for three years.

By the end of this month, 50% of the merchandise carried in this warehouse will have bar codes provided by manufacturers, increasing to over 75% in the first quarter of 1984, with Cotter applying bar codes on the other products, company officials said.

"Our goal is to have 100% of the products sold out of the unit with vendor-generated bar

(Continued on page 50)

NEWSBREAKS

B&B EXPANSION. Eclipse Industries is scheduled to open its sixth B&B Home Supply store in St. Louis, and seventh overall, on Sept. 29. The leased site, formerly a national supermarket, will operate as a 30,000-sq.-ft. warehouse-style home center.

WOODS FILES WITH S.E.C. Denver-based Hugh M. Woods filed notice with the Securities and Exchange Commission Aug. 5, *NHCN* has learned, in an initial step to facilitate a prompt public offering, if desired. However, company president Randy Woods said, "our inclination is to stay private," for the foreseeable future.

INSIDE:

HOME CENTERS OF AMERICA launched two new Home-Pro stores in Texas over the Labor Day weekend ..... Page 2
HECHINGER OFFICIALS unveiled a recapitalization plan aimed at protecting family shareholder voting power . Page 3
A NEW STUDY shows warehouse home centers infringing on lumber/building material outlets' share of the DIY market Page 4

NHCNews Briefs

Industry Update

Grossman's 2nd warehouse

STOCKTON, Calif.—Grossman's second warehouse-format building materials store has opened in this 160,000-population city 45 miles south of Sacramento.

The Aug. 31 opening of the Grossman's Building Materials Warehouse came less than four months after the chain's Ventura, Calif., warehouse opening (*NHCN*, June 6).

The Stockton facility is approximately 20,000 sq. ft., including an enclosed yard. It is located near Interstate 99, about four miles east of a Payless Cashways' Lumberjack store which opened last Sept. 15. Grossman's low-margin, high-volume format is expected to be similar to Lumberjack's. Other Stockton competitors include 84 Lumber, Orchard Supply, Diamond International and Wickes Lumber. An Ole's Home Improvement Center here closed last winter.

The Stockton Grossman's warehouse is a remodeled, five-year-old Grossman's unit which closed for about a month during the remerchandising.

Sutherland opens 84,000' unit

WEST CARROLLTON, Ohio—Sutherland Lumber announced a Sept. 18 opening for an 84,000-sq.-ft. store in this Dayton suburb.

The new unit is the largest in the chain, which has never operated a store larger than 55,000 sq. ft., and which typically operates units of 30,000 sq. ft.

Craig Sutherland, a partner with the company, said the new store will display large quantities of merchandise, including lumber, under a single roof. However, he said warehouse stacking displays, common to The Home Depot and other warehouse retail operations, would not be employed. Rather, gondolas will be low enough to allow clear views of the whole store, which will be in an L shape.

Sutherland may add a separate warehouse at a later date to the new store, which is located on 10 acres of land about four miles from the center of Dayton. The building is a retrofitted NCR headquarters which was formerly a supermarket.

The new store is part of a Sutherland plan to aggressively expand in current markets (*NHCN*, May 23). Sutherland plans to have 92 stores by the end of 1984.

Scotty's rolls with recovery

WINTER HAVEN, Fla.—Scotty's continues to roll along with the nation's recovery, posting a 30% sales increase to $29.7 million for the four weeks ended Aug. 27.

Revenue for the two month stretch ending the same day was 29% over 1982 to total $59.3 million. The company releases its earnings figures on a quarterly basis only.

Company president Ray Cooney stated that nearly two-thirds of the sales gains realized by Scotty's came from its professional builder business. He added, that, despite heightening retail competition in its markets, Scotty's earnings per share would be "comparable" with its sales growth this year.

Lumberjack hosts deck seminars

SACRAMENTO, Calif.—Each of 10 Lumberjack stores attracted from 75 to 80 customers for deck building seminars, held on four consecutive Saturday mornings and culminating in completed decks over Labor Day weekend.

Instructors from the Owner Builder School, Sacramento, helped customers construct the 10- by 20-ft. decks at each store (*NHCN*, July 4).

Each store spent about $250 on a public address system and $100 for nails and miscellaneous materials for its seminar. The Owner Builder School provided complimentary instructors, while a lumber vendor contributed wood, in exchange for resulting publicity.

Vendors also provided advertising support for the event.

National Home Center News

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $20 a year ($21 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 9, No. 20 September 26, 1983

Home-Pro debuts two new stores; first store's sales skyrocketing

By Kenneth Schept
NHCN senior editor

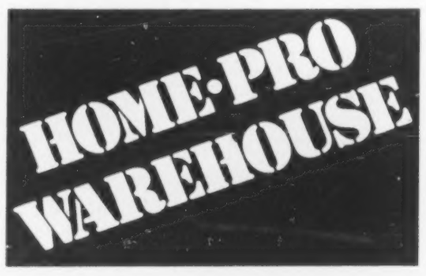
SAN ANTONIO—Home Centers of America opened its third and fourth Home-Pro stores over the Labor Day weekend, in San Antonio and Corpus Christi.

During their first five days of operation the units averaged a daily volume of about $60,000 and $90,000, respectively, according to Frank Denny, chairman.

Both stores are in former Woolcos. The San Antonio store is 63,000 sq. ft.; the Corpus Christi unit is 77,000 sq. ft. Denny said the lesser volume of the San Antonio store resulted from its smaller size plus its location in the older section of a city that already has two Home-Pro outlets.

"We don't expect that store to do as well long term," Denny said, "Maybe $10 million to $12 million this year."

However, Denny noted that the first Home-Pro, which opened Memorial Day, is "doing



way beyond our expectations, averaging $1.3 million to $1.4 million per month. Its first three months of operation would be right at $4 million.

"We expected it to be a little stronger," he added. "But we didn't expect it to be this strong."

The second Home-Pro unit, which opened in San Antonio during the Fourth of July weekend, is averaging about $1 million per month, according to Denny.

"We are accelerating our expansion plans," he said. "There's really nothing prohibiting us from going. We've seen what we can do. We are now where we said we'd be next February (in number of stores opened). We're not limiting ourselves to the Sunbelt. We're working on six to eight locations right now."

Future stores will be somewhat different from the original outlets, which have already changed in some ways as refinements have been made.

"The main thing we found out is that this is not a store where people come to buy just one item. The things that you see at a home center, like cut lumber, people just don't buy that here.

"We've eliminated short sizes

(Continued on page 49)

Westlake opens units in new markets

MOBERLY, Mo.—Westlake Hardware launched the most aggressive expansion campaign in its 78-year history over the Labor Day weekend when it opened three new stores in Omaha and two in Oklahoma City.

The five store expansion, which takes the $35 million company out of its home market for the first time and increases its size to 24 stores, is the first installment of a plan to open two or three new stores annually compared to one or two previously (*NHCN*, June 6).

Major give-aways at each of the five stores included a Pennzoil Mini Indy 500 race car, with an estimated retail value of over $800, and a Black & Decker Win-a-Workshop, with a retail value of $400. Westlake negotiated deals with each manufacturer for the products.

Radio station KOIL provided a "triple remote" broadcast from all three of the new Omaha stores, lasting three hours for each of the three days of the grand opening.

"Our original plan was to have three radio stations do remotes separately from each of the three stores," said sales promotion manager Dale Sosniecki. However, this plan was scrapped since only two Omaha stations offer remote broadcast services, and one of them does not have a high audience rating.

Station KOIL, ordinarily the fourth-ranked station in the Omaha market, enjoys a No. 2 ranking for its "golden oldies weekends," one of which coincided with the Westlake openings.

Westlake distributed 100,000 copies of eight-page color tabs in morning and afternoon editions of Oklahoma City metro-

(Continued on page 49)

Stanley, Moss suing each other over tape rights

MIAMI—The Stanley Works has filed suit against Moss Manufacturing alleging trademark infringement of the case design of its "Power lock" measuring tape.

Moss, which is marketing a product called "The Moss Tape Measure," was scheduled to file an antitrust counterclaim against Stanley the last week of August charging "sham litigation," "interference with business relations," and "abuse of legal process," according to its president, Monroe Zalkin.

"We will vigorously defend our right to market our product, and fully expect to prevail in court," said Zalkin. "Our product violates no patent or trademark laws."

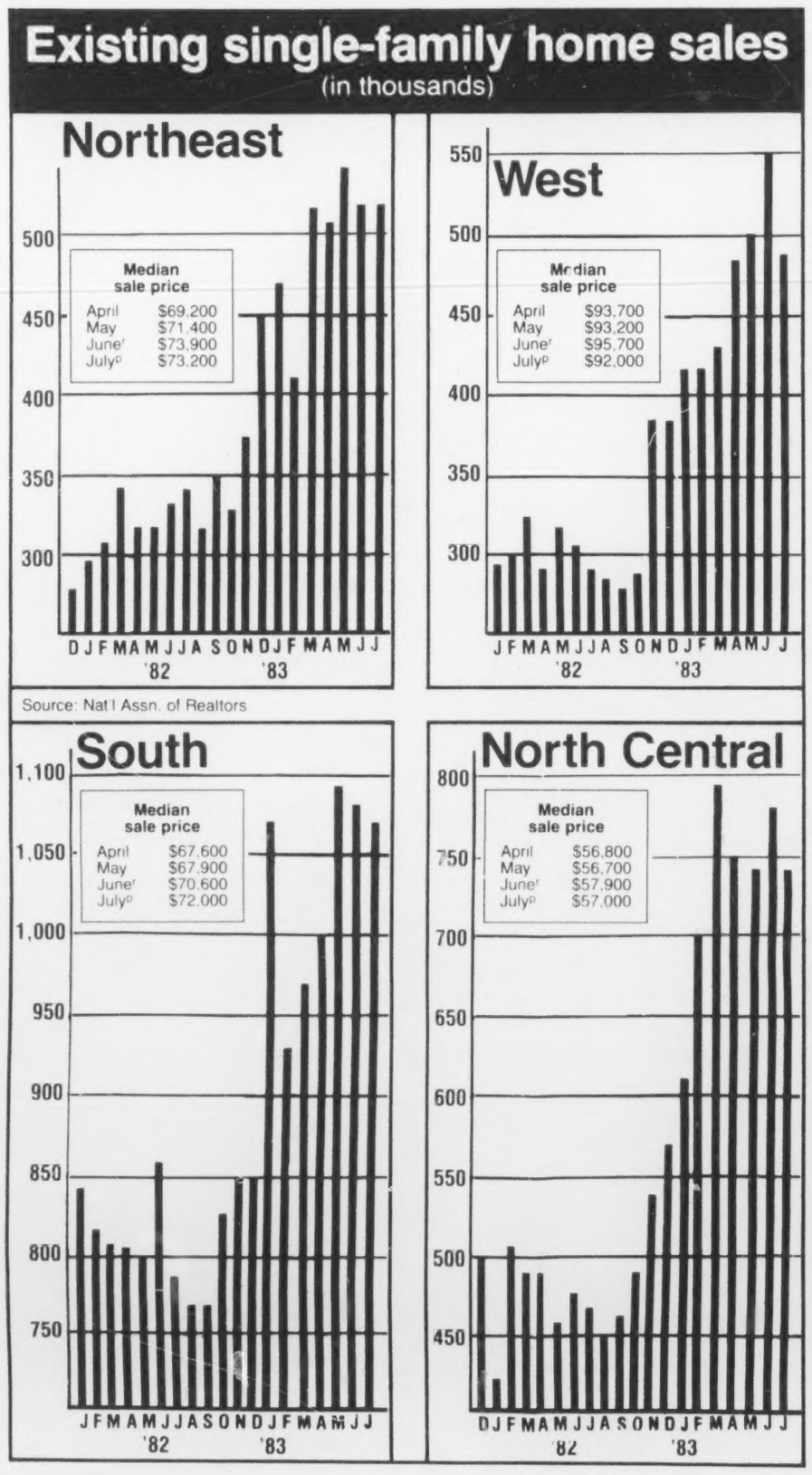
The suit filed by Stanley in U.S. District Court for the southern district of Florida claims that Moss's distribution and sale of its tape measure is an infringement of Stanley's Federal and common law trademark for the design of the Powerlock rulex.

It comes on the heels of a similar action filed in June against a California wholesaler and importer for distributing and selling a "Standard Knoblocker" rule Stanley officials alleged copied the Powerlock's casing and labeling (*NHCN*, July 18).

And last year, the New Britain, Conn., manufacturer obtained a consent judgment against a Michigan wholesaler charged with infringement of Stanley's Powerlock trademarks.

"It's very necessary for us to

(Continued on page 50)



Existing home sales dropped 4.4% in July to a seasonally adjusted rate of 2.81 million, the first downward movement in resales since February, according to the National Assn. of Realtors. Resales were off most sharply, 10.9% in the West. The national rate was still 47% ahead of July 1982, however, and the average price of an existing home climbed slightly to $71,600, 3.5% over last year.

Market share profile for selected DIY products: Total DIY market share vs. Atlanta market share—1982-83

Type of outlet	Fasteners		Cabinet hardware		Hand tools		Power tools		Paint sundries		Lumber	
	Total DIY	Atlanta market	Total DIY	Atlanta market	Total DIY	Atlanta market	Total DIY	Atlanta market	Total DIY	Atlanta market	Total DIY	Atlanta market
Home centers	37.4%	29.2%	41.5%	32.0%	13.2%	12.6%	8.1%	11.5%	15.9%	12.7%	51.9%	49.7%
Warehouse home centers	—	27.1	—	24.8	—	21.8	—	23.1	—	16.6	—	35.3
Lumber/building mat'l outlets	20.4	2.1	6.9	2.4	3.2	0.8	2.5	—	6.9	0.9	40.8	7.5
Hardware stores	22.6	25.8	12.3	20.8	13.3	18.1	9.6	5.1	14.7	7.4	1.8	3.7
Discount stores	8.0	7.9	11.5	4.8	13.2	7.6	14.4	5.8	15.0	13.1	1.0	1.6
Sears	3.2	2.9	7.7	3.2	33.0	32.8	41.9	42.9	18.4	23.6	—	0.5
Specialty stores	1.2	0.8	10.8	9.6	2.7	1.7	2.7	1.7	23.9	22.3	0.7	0.5
Wholesale	0.7	2.1	1.5	1.6	1.0	0.4	1.5	1.9	0.1	—	1.2	1.1
Other	6.5	2.1	7.8	0.8	20.4	4.2	19.0	5.9	5.1	3.4	2.6	0.1

Base: 2,000 persons

Source: National Retail Hardware Assn.; Do-It-Yourself Institute

Warehouse stores dominate market share for selected products bought in Atlanta, at the expense of other retail outlets' share.

NRHA study reveals:

Warehouse stores erode L/BM outlets' base

CHICAGO—Warehouse home centers are apparently winning the majority of their market share from lumber and building material outlets, and to a lesser degree from existing home centers, a new study has found.

According to studies of the north Atlanta and New Orleans retail home improvement markets, conducted by the National Retail Hardware Assn., warehouse home centers have also been found to dominate market share in five out of eight major product categories, based on the incidence of consumer purchases.

Consumers in those markets, meanwhile, tend to rank warehouse stores above other home centers, hardware, discount and department stores on their ability to deliver the best price, the widest assortment and the best value.

The study, conducted last July and released early this month at a seminar here sponsored by the NRHA, also found that price differences between warehouse stores, home centers and other retail outlets are not as extreme nor as obvious as consumers generally perceive.

A price check of 125 items in Atlanta and New Orleans revealed, for example, that West Building Materials had the lowest price "index" (.85) compared to K mart (.91), House Works (.98) and Harry's Ace Hardware (1.03). Yet, consumers thought House Works clearly had the best prices, and ranked West third among the four competitors.

When Atlanta consumers were polled about where they bought selected products, warehouse stores captured a dominant portion of consumer purchases, compared to building materials outlets and hardware stores, although they tended to trail home centers.

More significant, however, was the relatively low proportion of consumer purchasing incidence held by Atlanta lumber and building materials outlets for these products, compared to such outlets nationally.

Figures from the DIY Research Institute, from a survey last December, showed for instance that 51.9% of United States DIYers had made their last lumber purchase at a home center, while 40.8% made their purchase at L/BM outlet.

In Atlanta, however, while home centers had a 49.7% share of lumber purchase transactions, warehouse stores had a 35.3% share, and L/BM outlets garnered only 7.5% of transactions, the NRHA survey found (see chart).

Warehouse outlets have also apparently won a significant portion of north Atlanta's paint sales from hardware stores, and L/BM outlets. After Sears and specialty stores, which dominate retail paint sales, home centers accounted for 15.9% of consumer purchase transactions, according to the national study. They were followed by discount stores (15%), hardware stores (14.7%) and L/BM outlets (6.9%).

In the Atlanta survey, however, warehouse stores captured 16.6% of the area's paint purchases, compared to 13.1% at discount stores, 12.7% at home centers, 7.4% at hardware stores and a scant 0.9% at L/BM outlets.

Warehouse stores were not included as a type of store in the national breakout, and figures comparing purchases before and after the existence of warehouse stores in Atlanta were not available in the NRHA report.

When looking at eight major product categories, the study found that the Home Depot cap-

(Continued on page 49)

"So why should we buy floor protection products from Shepherd Jerry?"

Would you take tennis lessons from a painter because he's got great strokes?

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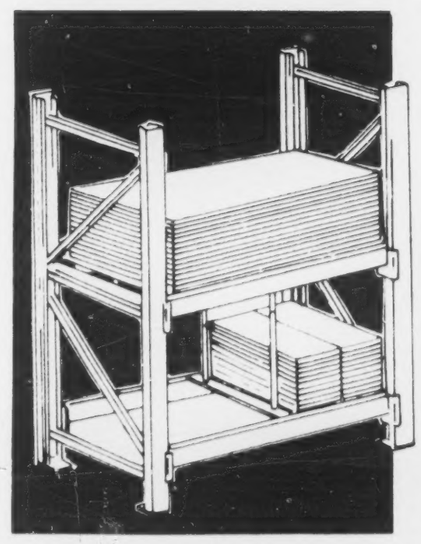

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LUMBER REPORT

Climbing interest rates knocked bottom out of lumber price levels

But long-term outlook bright

By Hawk Furman
Special to NHCN

Devastation is the best description of what happened to the lumber market in late July and August. Western s-p-f random lengths 2x4s were priced at $238 per thousand board feet F.O.B the mill on June 17. But by the end of August prices had dropped to $167 per thousand board feet F.O.B. the mill. This drop in price of $71 per thousand board feet meant a decline in value of $5,000 per carload. What happened to the lumber market and where does it go from here? The answers to these questions lie with interest rates, retail inventories, builders confidence and production.

Nothing affects building like changing interest rates. The upward movement of interest rates in May had an immediate affect on housing. The grand blow to housing came when the Department of Housing and Urban Development raised the rate three times on loans backed by the Federal Housing Administration from 11.5% in June to 13.5% in August. Loan applications fell off quickly as it is estimated that a 5% point rate increase shuts off 1.5 million families from being able to afford a mortgage.

Retailers are cautious. It has been an unbelievable year for retailers of lumber as volumes and profits exploded. In an attempt not to give it all back, many are cutting their lumber inventories. They are buying on a needs only basis. This appears to be an excellent strategy because wholesale and mill inventories are adequate to meet immediate needs and with the tremendous volume of production and falling demand, it does not appear to be the time to speculate on price escalation.

Builders confidence has soured due to increasing mortgage rates and higher costs of materials. The National Association of Home Builders survey of members found in June that 15% of those surveyed foresaw poor business for the coming six months as compared to

Hawk Furman, president, Furman Lumber, Boston

July when 25% of the contractors surveyed foresaw poor business for the coming six months. Even through July, total housing starts were reported down only 6% to an annual rate of 1.74 million, single-family starts were off 11.9%. There is considerably more lumber, plywood and panelboard used in a single-family unit as compared to a multi-family unit.

The beat goes on! There have been no major cutbacks in lumber, plywood and panelboard production. Most of the mills in North America made a little or a lot of money in the first half of 1983. They are reluctant to curtail production, because they do not want to miss a fall rally. They are all praying that the other guy will shut down, allowing them to move their production and get a higher price. It is not going to happen. The export market is in poor shape and cannot be used as a relief valve for the excess production. At current interest rate levels, unless production is cut voluntarily or a Canadian wood workers strike occurs, prices should continue to deteriorate going into fall when demand for wood tapers off because of seasonality.

Awful short-term

Short-term things look plain awful for the lumber market. There are high interest rates, over production, and the building season is drawing to a close. The long-term outlook is bright.

The presidential election is approaching in 1984 and, unless politics have changed, you can expect lower cost money coming into the marketplace enabling more families to afford housing. A sign of the future rate cuts came Aug. 22, when the F.H.A./V.A. mortgage rate dropped to 13% from 13.5%. Inventories at the retail level are being cut which sets the stage for restocking in winter or early spring. Chances are great that there will be production curtailment and some mill closures during the fall.

It appears likely that 1984 could be a banner year for the lumber market with substantially higher prices.

STOCK PRICES

	As of 8/31	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	37¾	47⅜	25⅝	26
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	14⅞	19½	7	—
Forest City (AMEX)	28½	30⅝	13	18
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	44½	50⅜	34⅞	13
Lowe's (NYSE)	25⅞	32¾	11¼	23
Pay 'N Pak (NYSE)	17⅝	24	16⅝	13
Payless Cashways (NYSE) [Furrow]	25¾	34½	13⅛	28
Scotty's (NYSE)	15½	21⅛	12¾	16
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	15¼	16½	9	—

Nasdaq national—over-the-counter stocks

	As of 8/31	52-week High	52-week Low	P/E Ratio
Hechinger	24⅝	38½	16⅜	—
The Home Depot	27½	31⅛	6⅛	—
Pay 'n Save	23¼	27⅝	11	—

Over-the-counter stocks

	As of 8/31 Bid	As of 8/31 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	17½	19	23	8½
Home Centers of America	8	8¾	12½	5
Home Centers of America [units]	25	26½	38	13¼
Hines Lumber	26½	28	31	14
Scotts Seaboard [Scott's]	4½	5¼	4¾	⅝
Wolohan Lumber	6¾	6⅞	10⅛	3⅞

SALES & EARNINGS

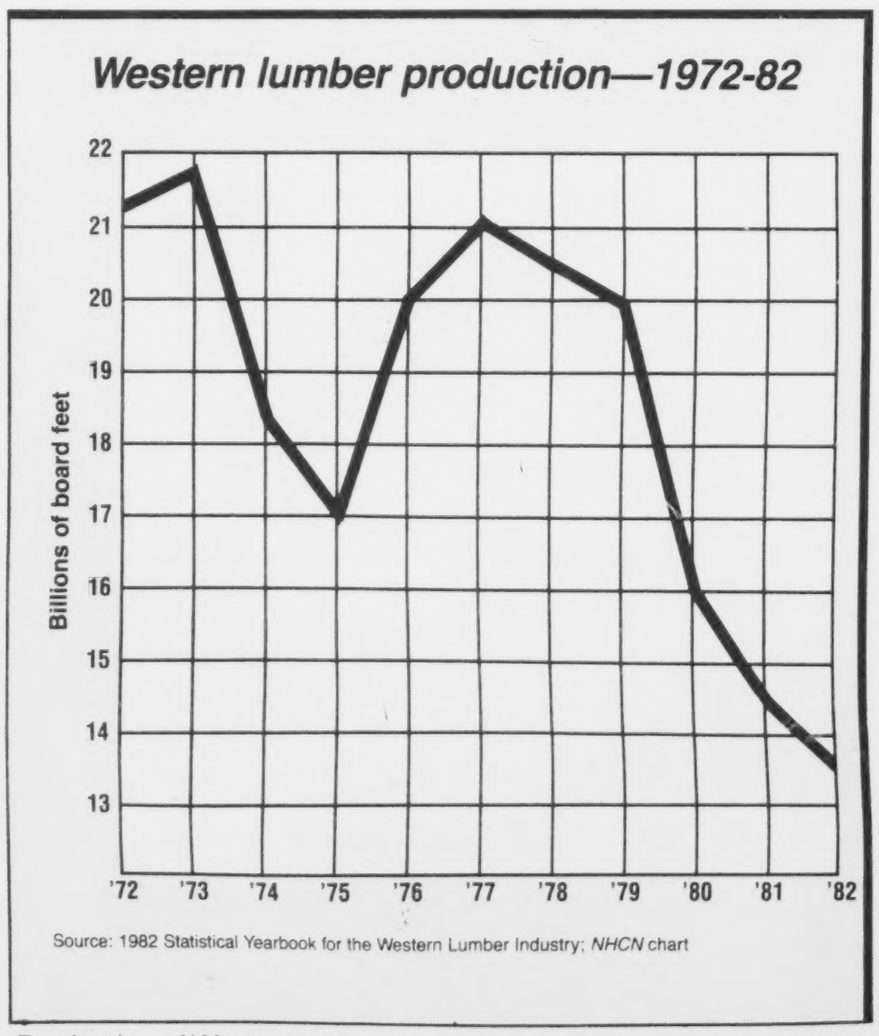
Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Hechinger	7/30-2nd qtr.	$ 87,748	$ 67,228	31	$ 5,013	$3,004	67
The Home Depot	7/31-2nd qtr.	66,613	33,063	101	3,355	1,923	74
Pay 'n Save	7/30-2nd qtr.	284,856	263,188	8	7,416	4,055	83
Rickel Home Centers	7/30-2nd qtr.	84,000	66,671	26	—	—	—
Scotts Seaboard	7/30-2nd qtr.	10,556	8,282	27	1,001	80	1,151
Wickes	7/30-2nd qtr.	752,684	693,093	9	11,663	–566	—

*$ in thousands

Source: Company reports

'82 Western lumber production: Lowest output in past 37 years

PORTLAND, Ore.—Production of Western softwood last year was the lowest since 1945, according to figures released early this month by the Western Wood Products Assn.



Source: 1982 Statistical Yearbook for the Western Lumber Industry; *NHCN* chart

Production of Western softwood reached its lowest point since 1945 last year when only 13.7 billion board feet were produced compared with about 20 billion board feet in 1979, according to the Western Wood Product Assn.

Hurt by slackened demand that resulted from the recession and a drop in housing starts, softwood production totaled only 13.7 billion board feet in 1982 compared with 20 billion board feet in 1979.

The WWPA noted that home building generally accounts for about 40% of the region's lumber production.

Also, the wholesale value of lumber produced in the West was off significantly in 1982, according to the WWPA. The Association noted that the wholesale value of $3.17 billion was the lowest since 1975 when production of 17.3 billion board feet was worth $2.9 billion wholesale. In 1981 Western softwood production totaled 14.9 billion board feet for a wholesale value of almost $4 billion.

Forest product industry employment was also off in 1982 to a total of 176,600 workers compared with 210,300 a year earlier, according to the WWPA. And the number of mills that produced at least during part of last year totaled only 687 compared with 728 in 1981.

The Association's statistics are compiled from these 12 Western states: (in descending order of mill production): Oregon, Washington, California/Nevada, Idaho, Montana, Arizona, New Mexico, Wyoming, South Dakota, Colorado and Utah. (The WWPA combines California and Nevada results).

South Dakota was the only state that experienced a production increase—to 126 million board feet from 79 million board feet in 1981. Oregon, the nation's greatest lumber state, produced 4.7 billion board feet, valued at $1 billion compared with 5.1 billion board feet, worth $1.3 billion in 1981.

FUTURES

Two weeks ended Sept. 2, 1983

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Sept.	178.50	160.00	160.00	172.80	1,877	240.40	160.80
Nov.	191.80	172.20	172.30	182.70	4,879	229.90	168.00
Jan. '84	202.80	184.30	184.40	194.00	1,197	234.00	179.00
March	212.70	196.80	197.30	205.00	434	240.50	192.00
May	218.70	205.50	206.10	213.00	148	245.50	200.40
July	227.60	217.00	217.10	224.00	68	252.50	210.00
Sept.	236.00	225.00	226.80	233.00	27	236.00	218.00

Total Contract Vol. (Through 9/2): 28,748 — **Previous Two Weeks: 35,850**
Total Open Interest (As of 9/1): 8,630 — **Previous Week: 8,759**
Cash Price: $160.72 — **Previous Week: $165.62** — **Year Ago: $133.28**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Sept.	184.50	172.80	175.20	178.30	93	223.90	172.80
Nov.	189.00	177.20	179.00	182.30	641	226.60	177.20
Jan. '84	191.50	180.50	181.30	184.80	115	223.00	179.70
March	194.80	184.50	185.90	188.10	230	225.00	183.00
May	190.50	187.50	188.90	NT	20	190.50	187.50
July	193.80	190.50	191.90	NT	10	193.80	190.50

NT—Not Trading

Total Contract Vol. (Through 9/2): 2,404 — **Previous Two Weeks: 1,918**
Total Open Interest (As of 9/1): 1,109 — **Previous Week: 1,354**
Cash Price: $181.30 — **Previous Week: $182.28** — **Year Ago: $172.48**

COMMODITY RESEARCH BUREAU INDEX:	This Week 278.9	Previous Week 281.6	Year Ago 238.9

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, Sept. 1.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Warehouse stores erode L/BM outlets' base

(Continued from page 4)
tured the highest percentage of consumer purchases in Atlanta for hardware, plumbing, electrical, lumber and building materials. Sears led in paint and tools; K mart led in lawn and garden supplies.

Similarly, in New Orleans, warehouse stores also dominated the market in most product categories. House Works led in purchase transactions for hardware, lumber and building materials; Home Depot led for plumbing and electrical; Sears led for tools, paint and lawn and garden. (Home Depot debuted in New Orleans in July, just shortly before the survey was made.)

The survey did not attempt to measure dollar volume share.

As part of the seminar presentation, Home Depot chairman Bernie Marcus, Lowe's chairman Robert Strickland, Home Centers of America chairman Frank Denny and H.W.I. vp sales and marketing vp Mike McClelland commented to an audience of some 200 manufacturers on how they saw the retail home improvement market evolving.

Strickland cautioned the audience to keep their eyes on "the long distance runners, not just the sprinters." He described the industry as one "in a state of both maturity and ferment," and agreed with NRHA estimates that warehouse stores, at maturity, would account for 8% of total DIY sales.

"Lowe's will go after the other 92%," he quipped, noting that the 235-unit chain "is positioning itself as a specialty operator" compared to Home Depot, which he saw as a discount store and Hechinger, which he likened to a department store.

Marcus and Denny both implored manufacturers to ensure that merchandise is delivered completely and on time. Marcus defended Home Depot's position of demanding wholesaler prices by insisting the Atlanta-based chain functions like a wholesaler, with the warehousing of goods; it simply sells to consumers instead of reselling to retailers, he said.

McClelland, meanwhile, warned manufacturers not to overlook the merchandising, advertising and marketing power wholesale co-ops offer.

Performance Ranking: Atlanta

Merchandising*

(Scale: 1 to 10)	Home Depot	Handy City	K mart	West Building Materials	Sears	Smith Ace Hardware
Price	8.6	7.2	8.0	7.7	7.1	6.1
Quality	8.3	7.9	6.7	7.8	7.9	8.8
Assortment	8.5	7.6	6.6	7.5	7.3	8.1
Convenience	8.2	8.3	8.0	7.7	8.0	8.5
Service	7.6	7.3	5.6	7.1	7.0	7.8
Good Value	8.6	7.4	7.6	7.7	7.9	7.3
Market Share (Top Three—Based on "Last purchase" incidence)						
Hardware	28.4%	16.4%	6.7%	NR	NR	NR
Hand/Power Tools	22.4	6.9	NR	NR	37.0%	NR
Plumbing/Heating	29.2	8.7	NR	NR	11.7	NR
Electrical	31.7	8.5	8.0	NR	NR	NR
Paint/Sundries	17.7	NR	8.8	NR	35.3	NR
Lumber	35.3	12.8	NR	11.8%	NR	NR
Building Materials	37.5	11.7	NR	14.8	NR	NR
Lawn & Garden	9.9	NR	28.5	NR	11.5	NR

Source: National Retail Hardware Assn.; *NHCN* chart
*A competitive rating of 10.0 would imply an outstanding image for a competitor.
**NR—Not ranked among the top three; figures represent purchasing incidence only, and do not necessarily reflect dollar volume share.

Warehouse stores, like Home Depot, score high in the eyes of Atlanta consumers among retail outlets on price, value and assortment. That has helped Home Depot take top spots in market share in five of eight product categories, based on purchase incidence.

Two more Home-Pros

(Continued from page 2)
of plywood and instead are offering high-grade lumber like clear pine and clear fir on cantilever racks."

Besides merchandise changes, the store's high-volume lumber and building materials appeal has also required physical alteration of the original store design.

"We couldn't get lumber and building materials out of the store fast enough," Denny said.

To better accommodate the heavy check-out traffic that was backing up down the main aisle of the original San Antonio store, a roll-up door exit used for bulk items was moved from one side of the storefront to the other. A regular exit replaced it and an additional cash register was installed. The renovation was made at all existing Home-Pro units and the new configuration will be used at future stores.

The company also changed its grand opening promotion somewhat in Corpus Christi. A four-hour preview sale was held the night before the official opening. But rather than offer all items at 20% off, as had been done previously, only selected products were sale priced.

Westlake distributed over 90,000 copies of this eight-page color tab in the Omaha World Herald *and other papers serving Bellevue, Neb. Another 100,000 copies were distributed in Oklahoma City papers.*

Westlake opens stores in two new markets

(Continued from page 2)
politan papers, including papers serving Midwest City, Okla., just to the east. Over 90,000 copies of eight-page color tabs were also distributed in the *Omaha World Herald* and also in papers serving Bellevue, Neb.

Bands from junior and vocational colleges in the market areas played in the parking lots outside the new stores, while jugglers on roller skates and magicians worked the stores. Vendors provided clinics on subjects as diverse as lawn care, deboning chickens, knife sharpening, stain removal and house plant care.

Westlake allocates about 5% of estimated sales for advertising during the first year of a store's existence. About 10% of that amount is spent for grand opening promotions. Of that amount, about 70% is spent on media advertising.

Calif. Pacific SW Assn. joins winter show support

CHICAGO—The California Pacific Southwest Hardware Assn. has agreed to be the participating association in support of the Winter National Hardware & Home Center Show in Las Vegas, Feb. 11-13, 1984.

The association, the fourth largest affiliate of the National Retail Hardware Assn., resulted from a merger of the California Retail Hardware Assn. and the Pacific Southwest Hardware Assn. in July. It has over 1,200 retail members in California, Arizona, Hawaii and western Nevada and also serves retail members in Mexico, Guam and Australia.

During the show, the National Retail Hardware Assn. will demonstrate a Merchandising and Display Concept Center. According to William P. Farrell, executive director of the American Hardware Manufacturers Assn., "This model is the store of the future for retailers. Its purpose is to transform the conventional store into an effective selling place. . . ."

Other features include a New Product Exposition, Packaging Showcase and Export Assistance Program.

Ground fault circuit interrupters: Promos entice skillful DIYers

NATIONAL REPORT—Ground fault circuit interrupters, electrical safety items that traditionally have drawn only contractor interest, are beginning to catch on with homeowners as DIYers tackle more sophisticated projects.

Companies like Gee Lumber and Star Lumber claimed to have seen sales among consumers increase substantially through aggressive pricing and promotion. On the other hand, Scotty's Inc. of Winter Haven, Fla., reported that product sales have grown more through code requirements than merchandising techniques.

In either case, manufacturers say the consumer segment of the GFI market has grown substantially over the past five years, although contractors continue to account for more than 90% of the purchases made. This year's market is expected to fall somewhere between $40 and $50 million, with receptacle models outselling breakers by about 3 to 1.

Harry Miller, the electrical buyer for Gee Lumber & Hardware Co. of Chicago, said he began promoting GFIs in tabloids six to eight months ago in response to slow activity in the housing and home building markets. "No one was running ads on them, everybody assumed they were a contractor sale," he recalled.

"But with housing down, I decided to try it," he continued. "They sold enough during the promotions to make me sit up and take notice."

Miller said GFIs have been carried in three subsequent tabloids, with each promotion yielding stronger sales than the last. He added that sales have not detracted from margins, which are said to range between 35% and 40% for some retailers.

"It's turned out to be an excellent product," Miller said. "I think it shows that people are becoming more sophisticated about the kind of home project they're willing to try—I know it's a cliche, but it's true."

The buyer said about 75% of his sales in GFIs come from the DIY consumer.

The spokesman for an East Coast manufacturer, whose retail accounts have doubled in the past two years, said GFI sales have won support from the National Electrical Code, which requires their use for bathroom and outdoor receptacles in newly constructed homes. The Consumer Product Safety Commission also encourages use of the products for basement and kitchen outlets.

Such support stems from the products' ability to prevent electrocution and serious injury from faulty grounds in electrical appliances. The devices are designed to measure the flow of electricity passing to and from a given outlet or circuit, and shut power off completely when there is a discrepancy of more than five milliamps. The shutoff takes place within one-fortieth of a second; electrocution can occur within one-tenth of a second at an energy level of 380 milliamps.

Retailers who claimed success with GFI promotions say that safety factors must be explained to consumers to justify the cost of the products. Ground fault receptacles retail for about $25, while breakers are made available to consumers for between $40 and $60. Normal circuit breakers meanwhile are sold at between $12 and $20, while duplex receptacles are available for 59¢ at some home centers.

In addition to their own promotions, retailers are drawing support from new DIY packaging used by some manufacturers to present the devices' safety merits as well as installation instructions.

Tim Fox, the electrical buyer for Star Lumber & Supply Co. of Wichita, Kan., said he has done well with the products without promoting them, partly because of the advertising done by other home centers in that region of the Midwest.

According to the buyer, the products have been footballed by some of the larger home center chains, causing prices for GFI receptacles to vary between $12.95 and $24.95.

While Fox said GFI sales make up an insignificant portion of the three-store independent's overall electrical sales, he said the products' turns and margins are enough to justify the number carried on the shelf. "A retailer could expect to get about a 40% margin—maybe 33% on a sale item" the buyer explained. "We get about five to seven turns in a year—that's enough to justify the six or eight items we have on our shelves."

Miller said he sells few GFIs to contractors, since electricians are able to procure the devices at lower rates from electrical supply wholesalers.

The south Florida area seems to be prime country for GFI sales both because of high humidity and a large number of swimming pools. According to Bernard Perkins, electrical buyer for Scotty's Inc., those factors plus code regulations requiring the devices in bathrooms and swimming pools, have conspired to generate healthy sales in the category.

Perkins said the devices sell at a rate of about 50 per week, split evenly between receptacles and breakers. "We brought them on a year and a half ago because they were becoming a necessity in Florida with the high humidity, pools and patios," the buyer explained. "In certain areas they're more recognized as a must because of the electrical codes."

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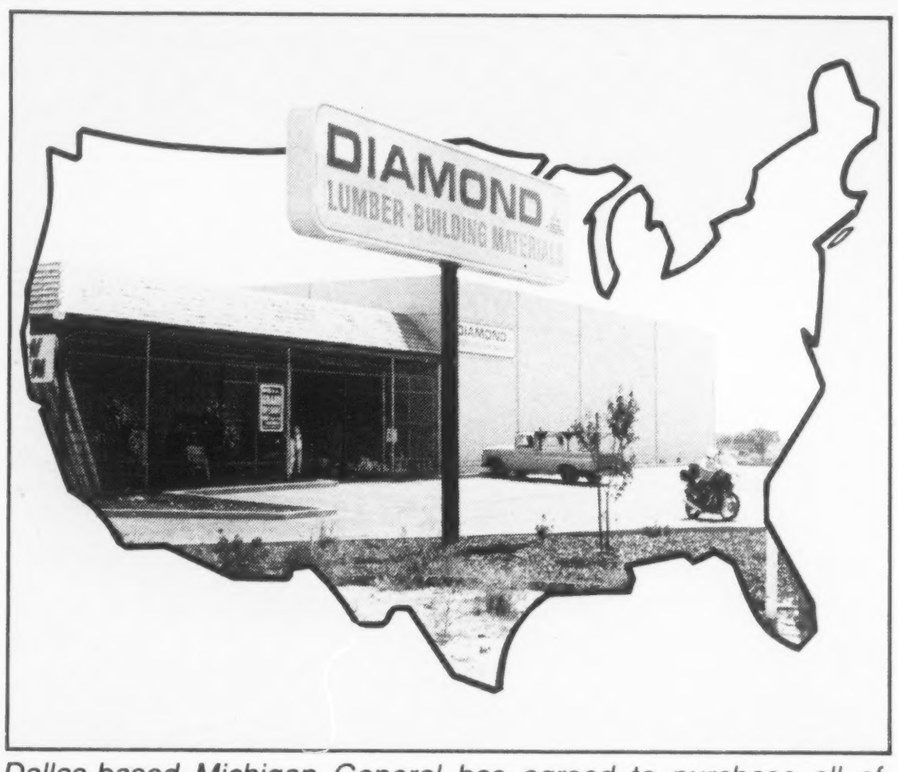
The NHCN Brands Report—pp. 19-55
Western Home Center Show preview—pp. 15-16

National
Home Center News ®

Vol. 9, No. 21 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. October 10, 1983

Diamond Int'l selling its 97-store retail division



Dallas-based Michigan General has agreed to purchase all of Diamond International's 97 stores, operating in 15 states from Washington and California to Florida and Maine, for $120 million.

By Greg Puchalski
NHCN senior editor

NEW YORK—Diamond International has agreed to sell its 97 home centers for $120 million to Michigan General, a Dallas-based holding company for nine other businesses.

The deal is part of Diamond's continuing effort to divest itself of various businesses as Sir James Goldsmith attempts to raise funds to pay off the $455 million in bank loans he accumulated in acquiring the company last year.

Michigan General officials have signed a letter of intent to acquire the stores for $65 million in cash, $5 million in preferred stock, $10 million in common stock and $40 million in notes. They were seeking to consummate the deal possibly as early as late last month.

Officials at the companies said they could not comment further on the sale. However, Michigan General president John Boudreau said the 97 outlets would continue to operate under the Diamond name.

Among Michigan General's holdings are Krestmark, makers of aluminum doors and windows, storm doors and skylights and a chain of 81 ladies and children clothing stores operating under the Allied name in Alabama, Florida, Georgia and South Carolina.

Michigan General's volume last year reached $152 million. In the first half of this year, sales were up 8% from the previous year to $75.3 million.

Acquisition of Diamond's retail group would more than double the size of Michigan General. The 97 outlets operate in the 15 states of California, Colorado, Connecticut, Florida, Idaho, Kansas, Maine, Massachusetts, Missouri, New Hampshire, Rhode Island, South Dakota, Texas, Washington and Wyoming. The company's Oregon stores were all closed last spring.

Diamond had sales of $207 million last year and was reportedly doing better this year under the improved housing picture of 1983.

Diamond got into the retail lumber business before World War I with the purchase of seven units from the Sierra Lumber Co. in California. The company built its retail holdings to better than 120 stores in the last five years with the key acquisition of LMF Corp.'s 52 stores occurring in late 1978.

Diamond's peak retail year in terms of financial results occurred in 1979 when it posted operating income of $28 million on sales of $356 million.

However, the stores suffered through the home building depression of the 1980's since, on the average, a Diamond store

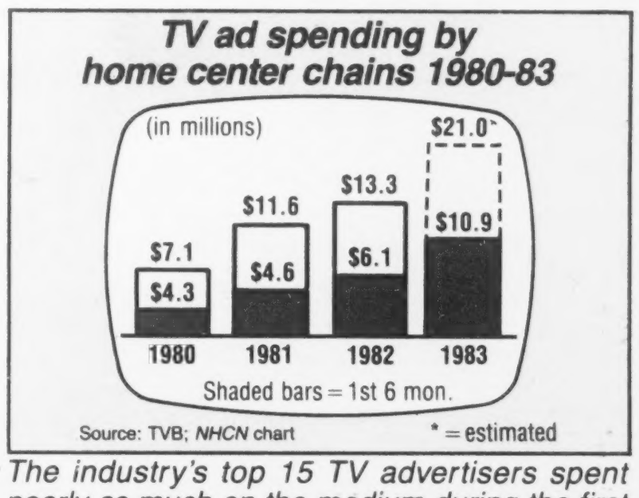
(Continued on page 74)

Top TV spenders up ad dollars by 79% in 1st half

NATIONAL REPORT—Payless Cashways led the industry in television advertising for the first six months of 1983 with expenditures representing more than one-fifth of the $10.9 million spent by the industry's top 15 TV advertisers combined.

According to estimates released by the Television Bureau of Advertising, Scotty's Inc., of Winter Haven, Fla., posted the largest increase in TV spending with a total expenditure of $550,800 by June 31. Meanwhile, Scott's and House Works made their debuts on the top 15 listing with expenditures of just over $200,000 each.

TVB estimated that Payless Cashways spent about $2.3 million on television advertising from January to June, constituting a 558% increase over the $351,000 spent during the same period last year. The figures do not include an additional $212,000 spent by Lumberjack, which was acquired by Payless last January. The current Payless Cashway estimate is just $157,000 less than the $2,471,900 spent during all of 1982 by Builders Emporium, which led last year's top 15 chart.



The industry's top 15 TV advertisers spent nearly as much on the medium during the first six months of this year as they did for all of 1982.

Dale Pond, Payless' vp of marketing, advertising and communications, said the 117-unit Kansas City, Mo., chain began its full-fledged television campaign in August 1982, after analyzing the results of a three-month test market study. The resulting commercials aimed

(Continued on page 74)

18%-20% sales gains predicted in 1983 by home center firms

NATIONAL REPORT—Home center companies expect their sales to rise an average of 18% this year, spurred on primarily by a revitalized housing market and overall improvement in the economy.

Larger companies, with annual volumes exceeding $10 million, expect sales to increase at a somewhat faster rate than the industry as a whole, roughly by 20% to 21%.

More than four-fifths of all home center stores, and over 96% of outlets belonging to companies whose sales are $10 million or more, expect sales this year will surpass 1982 figures.

These were some of the findings in a new survey of 173 companies operating 2,170 home centers across the nation, conducted for *National Home Center News* by Leo Shapiro & Associates, a Chicago-based market research firm. The survey's data are projectable to the United States home center industry of approximately 15,000 home improvement stores nationwide, based on the *1982 Chain Store Guide of Home Center Operators and Hardware Chains*, published by Lebhar-Friedman, which also

(Continued on page 74)

Retailers relying more heavily on national name brand products

NATIONAL REPORT—Over one-fourth of the nation's home center stores beefed up their selection of national name brand products in the past year, a new study conducted for *National Home Center News* has found.

Hardware, paint, plumbing and hand tool departments were the most-often cited departments where retailers increased their brand offerings.

In the first study of its kind in the home center industry, *National Home Center News* examines the penetration and retailer awareness of the top selling brands in 15 major categories in an exclusive Brands Report, beginning on page 19.

NEWSBREAKS

WAREHOUSE-BOUND. Homecrafters, Pelham, Ala., will open its first two Homecrafters Warehouse outlets—61,000- and 80,000-sq.-ft. units—by the end of the year in Memphis.

PAYLESS VP-FINANCE RESIGNS. Wayne Zetzman, vp-finance for Payless Cashways since 1980, has resigned to take a post as senior vp and chief financial officer for Household International, Chicago.

RETAILING STRATEGIES

Triangle takes DIY leap with new format

WILKES-BARRE, Pa.—In 1979, Triangle Building Supplies & Lumber Co. was primarily a contractor operation with only one store—a 7,500-sq.-ft. unit with 5,000 stock keeping units located in a small town near Philadelphia.

But barely a year ago, after tripling the original unit's size and quadrupling its sku count, the company moved its retailing thrust into even higher gear with the opening of a 42,000-sq.-ft. store. Sales at both locations have been so good that Triangle decided to launch a 60,000-sq.-ft. unit, which opened here Sept. 10, with 30,000 sku's.

Company officials are now planning to open seven more stores over the next three years, all with at least 60,000 sq. ft. and 30,000 sku's. The first is scheduled to open early next year at an undisclosed location.

Triangle's (l-r) Harvey Kroiz, president; Thomas Ostrander, retail div. mgr., and Irwin Kroiz, exec vp, in paint department of their new 60,000-sq.-ft. prototype store in Wilkes-Barre, Pa. NHCN photo

Triangle's owners, Harvey and Irwin Kroiz of Quakertown, Pa., have witnessed vast changes in business strategy since a decade ago, when their company had only 1,000 sq. ft. of retail space. Harvey Kroiz, the company's president, said an all-out retail effort began in

(Continued on page 67)

NHCNews Briefs

Industry Update

Fred Meyer going public, again

PORTLAND, Ore.—The 65-unit Fred Meyer chain here, with sales last year exceeding $1 billion, is considering going public again only two years after its 7.4 million shares of stock were sold to a private investment firm.

Company officials said that a registration statement could be filed with the Securities and Exchange Commission over the next month. But Fred Meyer's chief financial officer Jerry Sadis declined to comment further about the company's plans. "At the stage we're at right now, we are restricted by the S.E.C. to say anything about the filing, or the reasons we've decided to go this way," he said.

The action by Fred Meyer, whose stores sell everything from home improvement products to groceries, comes about 24 months after it was purchased for an estimated $420 million (or $55 per share) by the New York investment firm Kohlberg, Kravis, Roberts & Co. KKR specializes in leveraged buyouts of public companies whose stock it considers undervalued, to be sold at a later date at an anticipated profit.

Before the sale, Fred Meyer had been a public company from 1960 through 1981, according to Sadis.

Sutherland slates warehouse plus

EULESS, Tex.—Sutherland Lumber has chosen this town north of Dallas to open a 40,000-sq.-ft. home center billed as a "warehouse plus" operation.

The unit, which is housed in one of two Value Lumber outlets that closed here earlier this year, is about double the size of the four Sutherland stores already in the Dallas-Fort Worth market.

Circulars promoting those locations have already used the term "warehouse plus" to dramatize their offering, although, so far, none of these outlets have yet changed over to a warehouse-type format.

It is not known when the Euless store will open, but when it does the competitive climate should be interesting: there is a Homers and a Handy Dan within three miles.

For the moment, as the sign outside indicates, the Euless operation is looking for employees: "Now taking applications, $4 hr."

Pay 'n Pak profits rise 61%

KENT, Wash.—Pay 'n Pak reported a sales gain of 41% to $74.5 million and a 61% increase in profits to $3.09 million in the quarter ended Aug. 31.

For the first six months of the fiscal year, sales were $128.4 million, a 33% increase over the year-earlier period, and earnings were $4.66 million, a 63% increase.

David J. Heerensperger, chairman, said the results reflect "to a major degree the success of our new in-store merchandising program, which is now installed in half of the stores" in the 99-unit chain which operates in 16 Western and Midwestern states.

Heerensperger said store-for-store sales were up 33% in the second quarter, adding that the remaining 50 stores will be remerchandised by the end of the current fiscal year.

"In addition to increased sales and profits, this [in-store merchandising program] also means increased share of market," he added.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $20 a year ($21 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 9, No. 21. Copyright© 1983 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10157. For change of address six weeks notice is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 9, No. 21 October 10, 1983

Marcus outlines expansion plans

Price lookup system slated for all Home Depot stores

By Greg Puchalski
NHCN senior editor

NEW YORK—The Home Depot will complete an on-line point-of-sale price lookup system, already in place at six of its stores, by early next year, and adopt a perpetual inventory system at various stores by mid-1984, officials told security analysts here last month.

Chairman Bernard Marcus also said the 14-store chain will expand to as many as 19 outlets by the close of its fiscal year in January with openings in Clearwater and West Palm Beach, Fla., and in Phoenix where three stores are slated to mark Home Depot's entrance into that market.

The Phoenix units will be "radically different" from the original Home Depot outlets in Atlanta, according to the chain's chairman. However, he did not elaborate on the impending changes.

The chain plans to operate as many as 30 stores by the end of fiscal 1984, including stores in Deerfield Beach and St. Petersburg, Fla., Marcus said.

Regarding the POS price lookup system, Home Depot officials said two stores in Atlanta, two in New Orleans and units in Tampa and Altamonte Springs, Fla., already have price lookup capabilities, which permit a cashier to punch up the sku number of a desired item to obtain its price.

The system currently permits The Home Depot to track daily sku movement as goods are purchased, vice president Ronald M. Brill related.

However, as yet, it is not capable of tracking items as they enter the store. That process is expected to be in place at some stores next June when the chain begins recording goods as each unit receives them, Brill said.

He explained that because store employees at the affected locations are no longer needed to adjust prices during sale periods and at other times when prices change, the employees are saving about 25% of their time on the average. They then are able to devote that time to helping customers on the sales floor. Brill said he did not foresee cutting staff as a result of improved productivity.

It is difficult to weigh specifically the effect the system has and will have on employee productivity and product turns, the chain officials said.

While the system is put in place, the company is continuing an aggressive expansion policy which will result in a doubling of retail square footage to 1.4 million sq. ft. this year, Marcus said.

Specifically on the Phoenix expansion, Marcus said the

(Continued on page 73)

New home building remains active despite climbing borrowing rates

NATIONAL REPORT—In August, total seasonally adjusted housing starts reached their highest level since December 1978 with 1.94 million units. This surprised economists who had predicted that rising interest rates would slow down housing construction.

August housing starts were, in fact, 8.4% higher than July's, which were revised upward to show a 2.4% increase instead of the 0.6% decline first reported.

The South contributed largely to August's high level with a rise of 4% over July's seasonally adjusted figures to a record number of starts for the region of 1.03 million. A large part of these housing starts occurred in Texas.

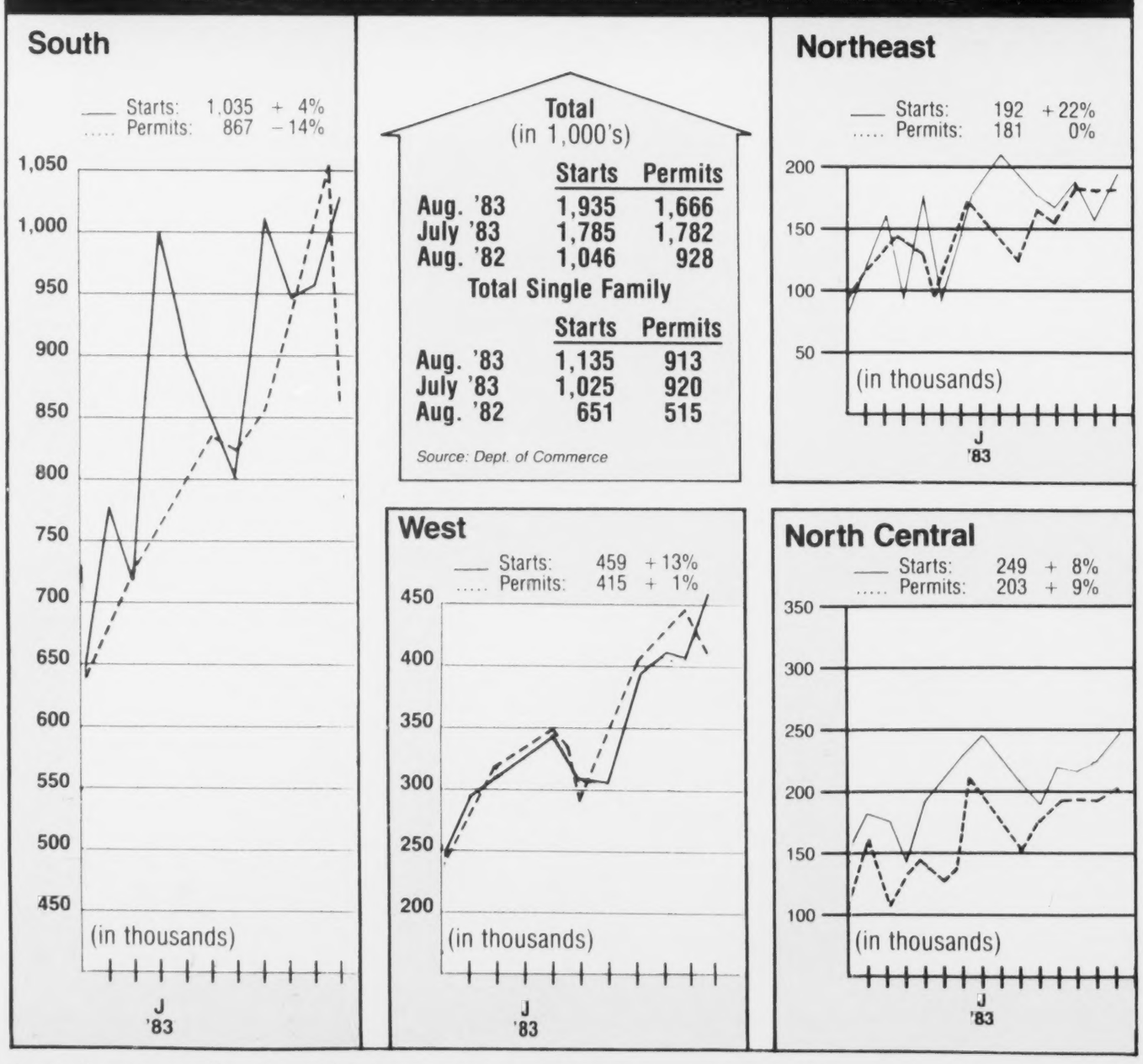
Single-family housing starts reversed their three-month decline and increased by 11% over July's seasonally adjusted figures.

However, building permits, which gauge future construction, were down by 6.5% to 1.67 million compared with the previous month. This was entirely due to a fall off in the South where permits dropped by 14% to a rate of 867,000. The Northeast recorded no change and the West increased by 1% and North Central by 9%.

Michael Sumichrast, a housing analyst with the National Assn. of Home Builders, gave two major reasons for the continued surge in housing starts. Congress allowed states to sell tax exempt revenue bonds to the public and these were being made available to builders, who in turn offered them to home buyers at a rate of 10.5%.

Low mortgage rates were also offered by builders who were "buying down" mortgages. They were selling houses for $4,000 to $5,000 more than they would normally sell, but charging a lower mortgage rate.

August home-building activity



August's seasonally adjusted housing starts reached their highest levels in the past four and a half years with 1.9 million. Revised figures for July showed an increase in housing starts over June of 2.4% compared with the previously reported 0.6% decline, due to late entries from the South. Both results surprised economists who had predicted a fall in starts and permits due to rising interest rates.

THE NHCN BRANDS REPORT

National brand name market penetration and retailer awareness in the home center industry

More retailers rely on national brand products

Name brand stocking increases over 28% at U.S. home centers

By Kenneth Schept
NHCN senior editor

NATIONAL REPORT—More than a quarter of the stores in the home center industry broadly increased their reliance on national brand merchandise this year, according to a new survey by *National Home Center News*.

While nearly 29% of the outlets were involved with this hightened storewide national brand emphasis, more than half, about 58%, added national brand merchandise to at least one department.

Storewide national brand emphasis decreased at only 5.3% of the nation's home center stores and remained even at 66.1%. The greatest storewide increase occurred at units selling to both consumers and contractors.

The greatest increase in storewide national brand emphasis occurred in the Northeast where about half the stores expanded the amount of name brands carried. On a department-by-department basis the Northeast was again strongest with almost 80% of the stores there adding name brand merchandise in at least one category.

Hardware was the product category in which name brand representation most increased last year, followed by paint, hand tools and plumbing. Just over 24% of stores took on more national name hardware, while 16.5% did the same for paint, 14.2% for tools and 10.9% in plumbing.

The study measures national brand name market penetration of the home center industry and retailers awareness of brands. It was completed for *NHCN* by Leo Shapiro and Assocs., the Chicago research firm.

The survey found few product categories where one particular brand dominates. The exceptions are hand tools, where almost two-thirds of America's home center stores carry Stanley, and insulation, where Owens-Corning is carried by more than 60% of the stores, while the next-ranking brands were in far fewer stores, proportionately. A similar situation existed in power tools, the study found: Black & Decker and Skil are both found in about 60% of home center outlets, well above the next leading brands.

Other categories, like windows, faucets, paneling and doors also have individual brands that are in a significantly greater number of stores than their competition. But in these cases the leading brands have not achieved the unusual dominance found in tools and insulation, and there are a number of competitors with sizable secondary positions in home center outlets.

The market is even more diffused in other categories like plumbing, fasteners, roofing, caulking, electricals and lawn mowers where, in general, a large number of competitors share the market, and in most instances, there are less distinct gradients of market penetration.

What survey measures

Since sales volumes by product category are generally unavailable, or oftentimes cannot be determined accurately, the survey did not investigate actual sales volumes of specific brands.

Rather, it sought to measure the degree to which brand name products are carried in the nation's home center outlets.

Consequently, the figures represent brand penetration and should not be construed to represent market share, since a brand in many stores might do no better than another brand in fewer, high-volume stores, in total sales.

Brand awareness

The survey also sought to measure retailer brand awareness, by noting which, of several brands in a category, a retailer mentioned first.

A high "first mention" score simply means a relatively high top of mind awareness, and does not necessarily mean the brand is better selling than others in the category.

However, some conclusions can be drawn in comparing how a brand scored in total mentions (the percentage of stores carrying the brand) vs. its score in first mentions (the percentage of stores where retailers mentioned the brand first). A brand that had high top of mind awareness, but a lower ranking in total mentions, could reflect a brand that is up and coming, or perhaps that trade marketing and promotions were successful in positioning the product.

Conversely, a brand in many stores, but with relatively low top of mind awareness, could be slipping in position as other brands work more aggressively to win market share.

Awareness among retailers often reflects how regularly they deal with a specific brand, either because they are reordering it often, recommending it to consumers, or perhaps because the brand product is displayed prominently in the store, or sold aggressively at headquarters.

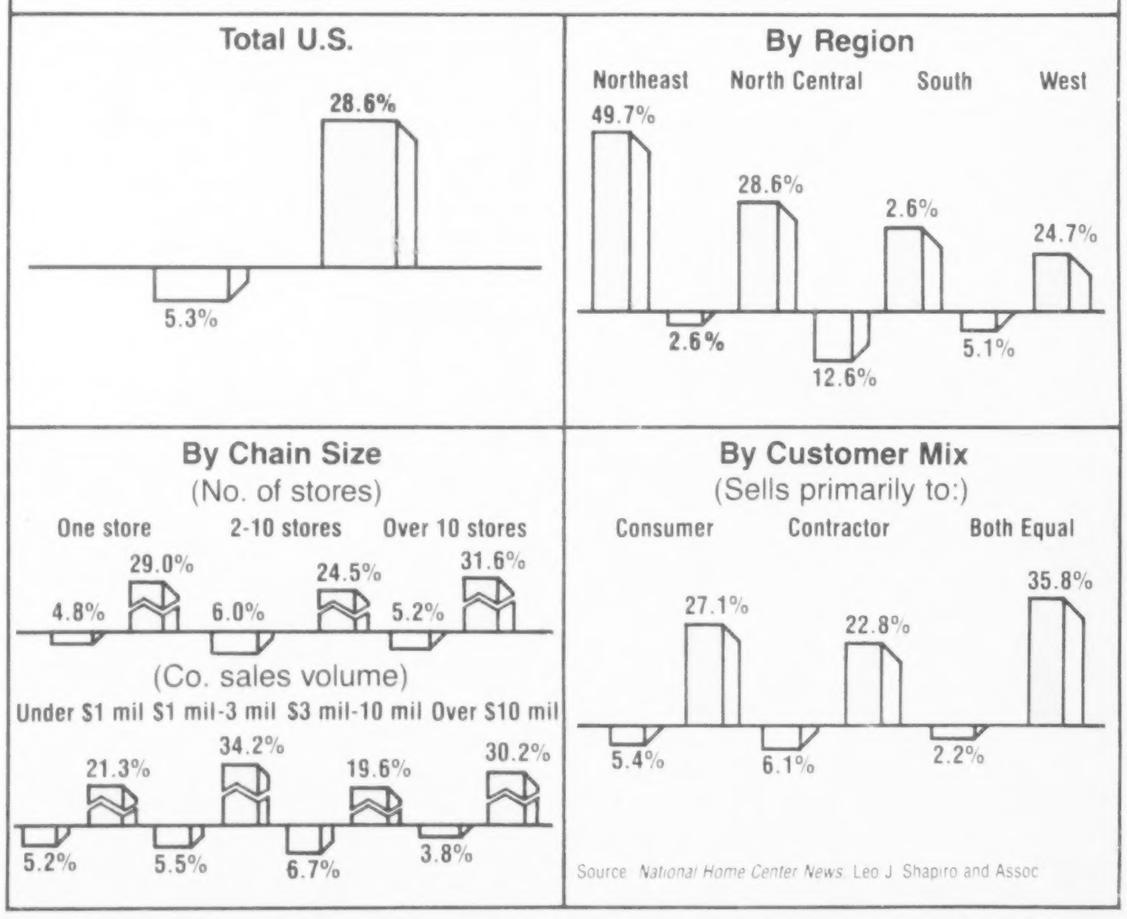
Perhaps one of the most interesting findings in the survey is the fact that many manufacturers' names are perceived by retailers as national name brands, such as Moss and Makita, even though consumers are generally unaware of these companies.

Home center retailers are showing a relatively strong move toward featuring national name brand merchandise in their stores. Home Depot, and other chains, are even displaying those names along walls near the exits of their stores to enhance name brand identity.

NHCN photo

Penetration of national brands in U.S. home centers

☐ % of respondents carrying more name brands than a year ago
☐ % of respondents carrying less name brands than a year ago



Name brand representation increased at 28.6% of the nation's outlets, while decreasing at only 5.3% of the stores and remaining even at 66.1%.

Brand names in hardware, paint, plumbing and hand tools gain in home center market penetration

NATIONAL REPORT—Of 15 product categories explored in a new *National Home Center News* national brand survey, hardware, paint, hand tools and plumbing this year experienced the greatest increase in brand name product penetration.

Almost one quarter of America's home center stores increased brand name selection in their hardware departments this year, while in paint 16.5% of the stores saw such an increase; in hand tools, 14.2%, and plumbing, 10.9%.

The role of brand names increased much less in other departments like electricals, where 3.5% of home center stores boosted brand name representation. In other departments, including housewares, power tools, appliances, lawn mowers, carpeting and flooring, fewer than 3% of the nation's home center stores increased brand name representation.

In the four departments that experi-

(Continued on page 21)

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THE NHCN BRANDS REPORT

Home centers carrying more hardware brands

(Continued from page 19)

enced a strong increase in brand name activity the greatest interest seemed to be shown by stores that cater to consumers or have a consumer-contractor mix as opposed to strictly contractor operations. For the 15 product categories overall the consumer-contractor operations showed the greatest increases in carrying brand name products.

Paint held particular interest for consumer operations, with more than one-fifth of those stores increasing their brand name offering. In contrast, the increase of brand named hand tools seemed strongest among contractor stores. More than one-fifth of those outlets increased their brand name tool selection. And among stores that cater equally to contractors and consumers brand name hand tools were up at 16% of the stores.

Stronger impact

Brand name plumbing items also had their strongest impact in these contractor-consumer outlet, 13.7% of which this year added plumbing brands. Of these type stores 9% also added to their brand name electrical selections, while pure contractor or consumer outlets showed much less interest in increasing brand name electricals.

While 29% of the country's home center stores this year increased national brand offerings as a matter of policy, more than half of the industry's outlets, 57.5%, increased national brand merchandise in at least one department.

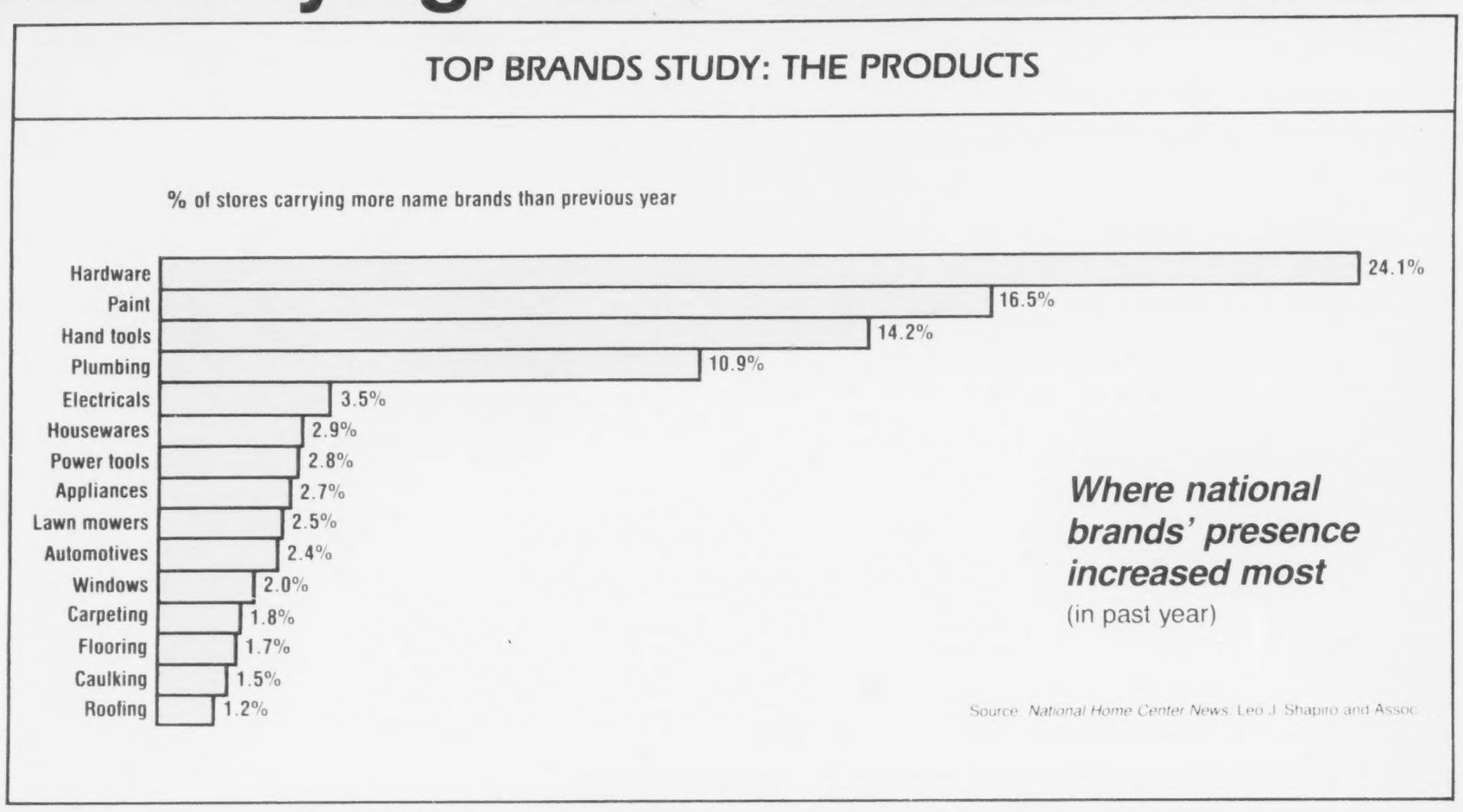
That activity was strongest by far in the Northeast, where almost four out of five stores added national brand merchandise in at least one department. Stores in the North Central states were second in number adding those products with about 59% doing so. About half the home centers in the West added brand name items in one or more departments, while just under half did so in the South.

More than half of stores operated by companies with annual volumes in excess of $10 million increased national brand representation in at least one department last year. Among stores run by smaller operators the increase in national brand reliance was even somewhat stronger.

On a department-by-department basis there were significant variations according to region. For example, 28% of home center stores in the Northeast added a national brand product to their paint departments this year, while only 5.5% of Western stores did.

However, Western home centers led the nation in adding national brand hand tools with about 28% of the stores doing so. In the South only 7.5% of the stores added those products.

The regions were fairly even in their addition of hardware, plumbing and electrical national brand items this year. While there seemed to be little increase in national brands in automotive departments outside the Northeast last year, 11.4% of stores in that region added brand items to that category.



Hardware, paint, hand tools and plumbing experienced the greatest increase in brand name product penetration.

Survey measures market penetration, retailer awareness

The *National Home Center News* brands survey of United States home center retailers provides a nationally projectable study on the market penetration and retailer awareness of national name brand merchandise.

The survey, conducted in August by Leo J. Shapiro & Assoc. of Chicago for *National Home Center News*, covered 2,170 stores operated by 173 retailing companies.

The results, covering name brand merchandise in 15 product categories, can be used as a measure of market penetration among approximately 15,000 retail home improvement outlets nationwide.

The study group was built from retailers selected at random from the 1982 Directory of Home Center Operators & Hardware Chains, listing 6,500 companies operating 15,000 stores. The directory is published by Lebhar-Friedman Inc. of New York, which also publishes *NHCN*. The survey's sample population of stores was proportioned to correspond with company store counts and annual volume, to more accurately reflect the general makeup of the home center industry.

While company buyers were sought as the primary targets of the survey, qualified responses were also obtained largely from individual store managers in cases where buyers were unavailable for comment.

Store managers were the largest group of respondents, making up 23.1% of the sample population; buyers made up 22.5%. Nearly 13% of the respondents were company owners; another 6.9% were identified as presidents. Generally, the larger the operation the more likely it was that an executive above the store manager level responded to the survey.

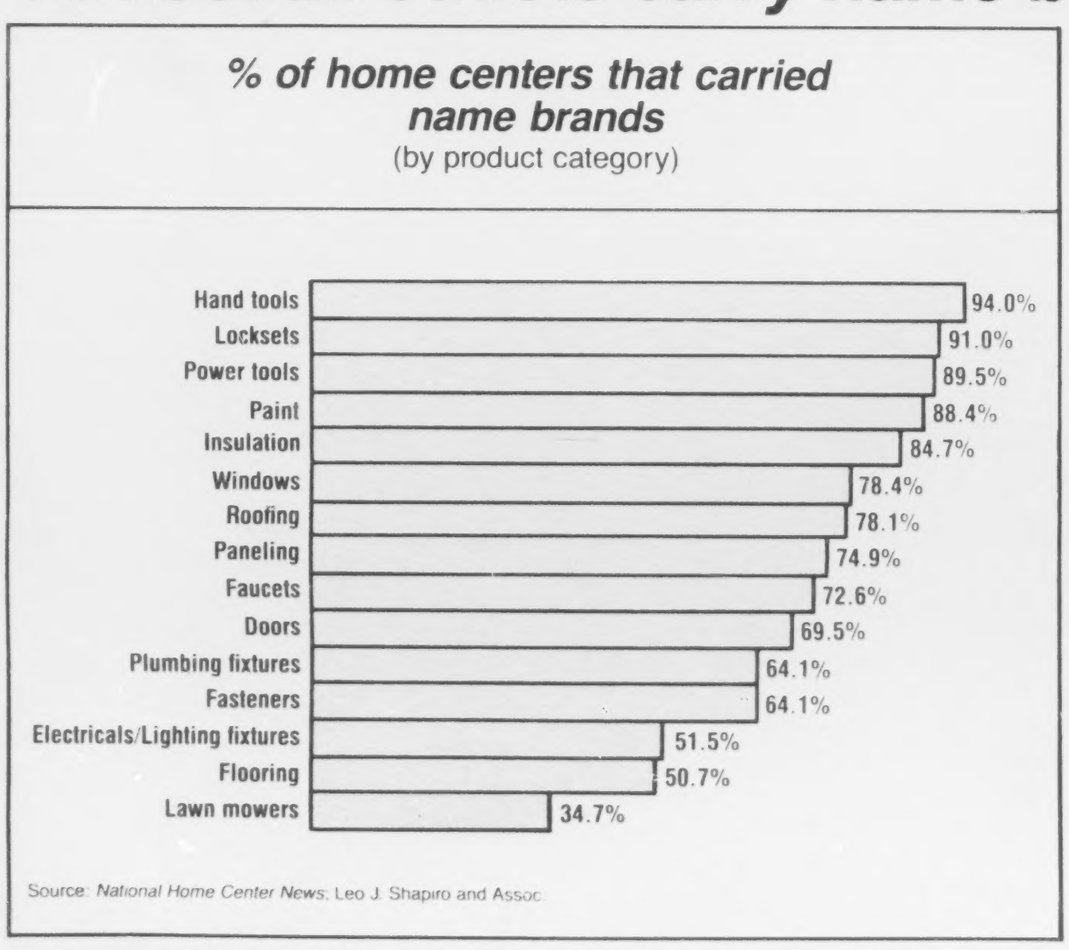
More than one-fifth of the respondents had been with their companies for 25 years or more. The next largest tenure group showed 10 years of experience and made up 14.5% of the sample population. Those groups consisting of retailers with both two to four years and 11 to 14 years each shared 10.4%. The average retailer showed a tenure of 11.5 years.

Of the 2,170 stores represented in the sample, about half sell primarily to consumers, while another fourth sell primarily to contractors. The balance have approximately a 50-50 contractor-to-consumer sales mix.

A little over one-third of the stores in the survey belonged to companies with 10 or more stores; another third were one-store operations; while the balance belonged to chains of two to 10 stores.

One-fourth of the stores on a weighted basis reported belonging to companies having annual sales in excess of $10 million. Two-fifths of the stores belonged to companies with annual sales of between $1 million and $10 million with about 15% of the stores reporting annual sales of less than $1 million.

Almost all outlets carry name brand hand tools



In 14 out of 15 categories, over half of the stores surveyed carry at least some brand name items.

The nation's home center stores carry more national brand name merchandise in hand tools than in any other category, according to the new *National Home Center News* brand survey. Almost all outlets, 94%, carry some brand name tools.

In 14 out of 15 categories more than half of the stores carry at least some brand name items. Lawn mowers were the only exception, with 34.7% of the stores carrying brand name merchandise.

In contrast, most major categories showed heavy reliance on brand names. Nationally known locksets are carried by 91% of home center stores, for example. Almost 90% of the stores carry national brand power tools and 88.4% of the stores carry brand paint.

Strong brand name representation also seemed important in the retail mix of insulation, windows and roofing. More than three-quarters of stores carry brand name items in these categories.

Two-thirds of three-quarters of the stores carry brand name fasteners, plumbing fixtures, doors, faucets and paneling.

Brands report survey available by category

The findings of the *National Home Center News* Brands Report are being made available by product category, in a series of detailed reports.

The study, conducted by Leo S. Shapiro and Associates, the Chicago-based research firm, is the first of its kind to examine retailer perceptions of brand awareness, and to measure national brand penetration in home center outlets throughout the United States.

Nationally projectable, the reports cover 15 major product categories, including: paint, insulation, locksets, flooring, hand tools, power tools, windows, doors, plumbing fixtures, faucets, roofing, paneling, electrical fixtures and lawn mowers.

The individual reports include summary tables of the major findings on brand penetration, which departments showed the greatest increase in brand reliance, as well as detailed breakouts of brand rankings of between 10 and 20 brands per product category.

The reports are available for a research fee of $50 per product category (which includes the summary findings) by writing: Brand Study, Dept. EB, *National Home Center News*, 425 Park Ave., New York, N.Y. 10022.

Name insulation popular with pro-oriented stores

Name brand insulation is carried by nearly 85% of stores in the retail home improvement industry, and in an even higher percentage—96%—of stores selling primarily to contractors, a national survey of retailers has shown.

Owens-Corning Fiberglas was shown to be the most-carried name brand in the industry, with more than 60% of the stores polled carrying it. Manville and CertainTeed were the second and third most-carried brands, respectively, each drawing support from just over 23% of the sample population.

Dow and Celotex followed next in line, though with significantly less penetration than the top three name brands. Dow was shown to be carried by 4.5% of all stores polled, while Celotex was said to be carried by 2.3%.

Survey statistics said the merchandise is carried most often in the North Central, where 90.9% of home improvement retailers are said to offer it. However, penetration rates stand above the 80% mark in the South and West, falling to a low of 70.8% in the Northeast.

Market penetration of brand name is consistent regardless of the size of the home center operation where it is sold, although highest rates of brand name insulation penetration is among one-store independents, 91.9% of which carry the merchandise, and stores belonging to companies with sales of between $3 million and $10 million, where 88% have name brand insulation.

The survey, based on responses from retailers representing 2,170 outlets, showed that 95.9% of stores that sell primarily to contractors carry name brand insultation, while about 76.6% of stores selling primarily to consumers offer the merchandise and 85.6% of those catering equally to the consumer and contractor.

Owens-Corning, like the insulation name brand category itself, showed blanket penetration in all regions and among companies of all sizes. However, the brand proved somewhat stronger in the North Central region and South, and among stores catering to both the consumer and the professional. It also was strongest among one-store independents and stores belonging to companies with sales of between $3 million and $10 million.

% of U.S. home center stores carrying name brand insulation—by region

Northeast		North Central	
Owens-Corning	53.3%	Owens-Corning	64.8%
CertainTeed	26.3	CertainTeed	27.1
Manville	12.9	Manville	23.0
		Dow Chemical	11.0
		Celotex Corp.	6.4
South		**West**	
Owens-Corning	62.8%	Owens-Corning	55.0%
Manville	26.8	Manville	29.4
CertainTeed	15.4	CertainTeed	24.6
Gibson	1.9	Dow Chemical	2.7
		Georgia Pacific	2.7

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

% of U.S. home center stores that carry top brand insulation—by company size

Percentages reflect distribution of brand penetration

No. of stores	
One	
Owens-Corning	62.9%
CertainTeed	24.2
Manville	21.0
Dow Chemical	8.1
Celotex Corp.	1.4
2-10	
Owens-Corning	60.8%
Manville	22.9
CertainTeed	18.8
Celotex Corp.	4.3
3M	3.7
Over 10	
Owens-Corning	57.9%
Manville	26.3
CertainTeed	26.2
Dow Chemical	2.6
Co. sales volume	
Under $1 million	
Owens-Corning	60.2%
CertainTeed	27.8
Manville	19.1
Dow Chemical	3.6
Georgia-Pacific	3.3
$1 million-$3 million	
Owens-Corning	53.7%
CertainTeed	23.0
Manville	22.7
Dow Chemical	7.4
Gold Bond	3.4
$3 million-$10 million	
Owens-Corning	64.8%
Manville	29.7
CertainTeed	22.0
Dow Chemical	4.3
Celotex	4.3
Over $10 million	
Owens-Corning	62.5%
CertainTeed	30.9
Manville	21.6
Dow Chemical	3.8
Celotex Corp.	1.4

Source: *NHCN;* Leo J. Shapiro and Assoc.

NHCN TOP BRANDS STUDY

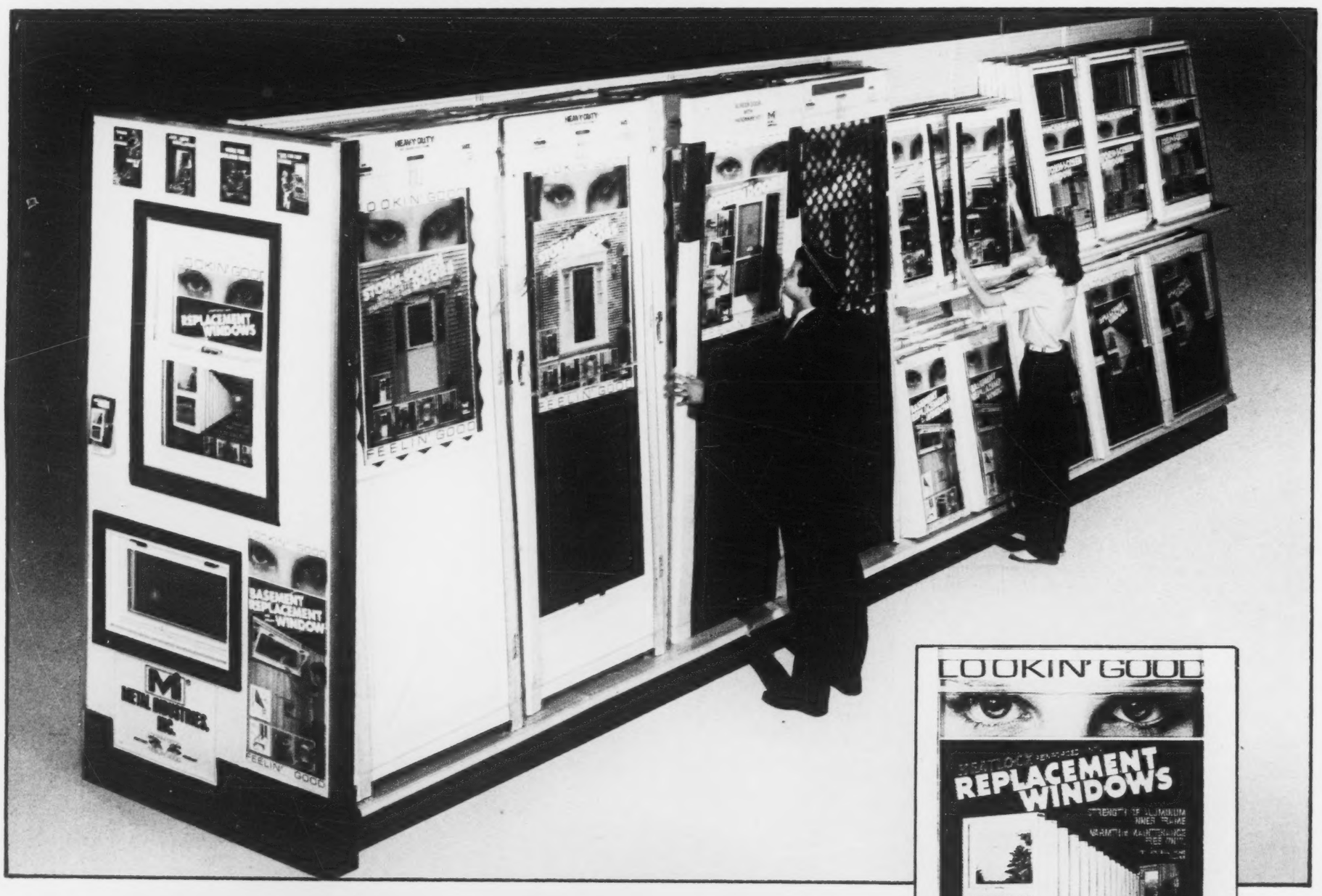
TOP BRANDS STUDY: INSULATION

MARKET PENETRATION Brands	% of home centers carrying that brand	TOP OF MIND AWARENESS Brands	% of home centers 1st mentioning that brand as best selling
Owens-Corning	60.4	Owens-Corning	51.3
Manville	23.5	Manville	12.2
CertainTeed	23.3	CertainTeed	11.9
Dow Chemical	4.5	3M	1.1
Celotex Corp.	2.3	Celotex Corp.	0.9
3M	1.1	Gold Bond	0.7
Georgia-Pacific	1.0	Dow Chemical	0.5
Gold Bond	0.7	Molland Manufacturing Co.	0.3
Flint Mfg. co.	0.5		

2,170 stores surveyed; percentages projectable to all U.S. home centers

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

Owens-Cornings, Manville and CertainTeed were the top brands in market penetration and retailers' awareness, according to the NHCN *survey. The name brands showed strong distribution across all four regions.*



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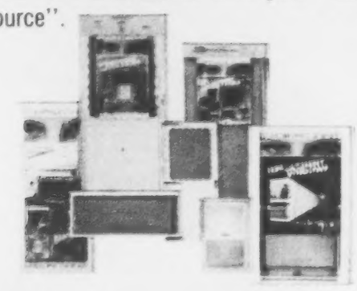

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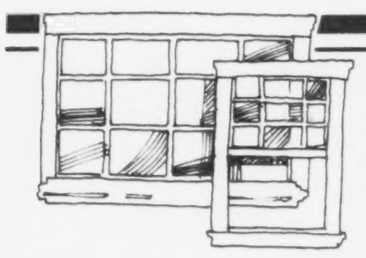


Andersen dominates national window market

In market penetration and brand recognition Andersen enjoys an overwhelmingly stronger position in the home center market than other competing manufacturers, according to results of the new *National Home Center News* brands report.

More than two-thirds of America's home center outlets offer windows the study found, and almost half carry Andersen. Marvin Windows, next strongest in market penetration, are available at 13.4% of the stores. Windows of all other manufacturers including Keller, Crestline and Better Built are in less than 10% of the stores, usually with special strength in a particular region.

In terms of brand awareness, retailers polled at almost 40% of the nation's home center outlets mentioned Andersen first when questioned about their window product lines. Other manufacturers were named first about 5% of the time or less.

While Andersen's market penetration is relatively strong in all regions, it is significantly weaker in the South and West compared with the Northeast and North Central. And regionality does seem to play an important role in a retailer's selection of a window vendor.

Andersen is carried in 16.7% of home center outlets in the West, for example, while International is in 22.2% of the stores in that region; Marvin windows are in 15.3% of outlets there.

Andersen is strong in small, medium and large chains, although somewhat weaker in the latter category; about 42% of stores in chains of 10 units or more carry Andersen. In contrast, Marvin Windows and Croft Metals seem to have their deepest market penetration in these type operations. In chains with 10 stores or more, 23.7% of the units carry Marvin and 10.5% carry Croft.

Andersen also appears strong regardless of whether an outlet is aimed at the consumer, contractor or both. Of stores that claim to seek a consumer-contractor mix, 62.8% carry Andersen. Also strong in those type operations, relative to other competitors, are Marvin and Caradco. Stores catering equally to contractors and consumers carry those products 15.6% and 11.3% of the time, respectively.

TOP BRANDS STUDY: WINDOWS

MARKET PENETRATION Brands	% of home centers carrying that brand	TOP OF MIND AWARENESS Brands	% of home centers 1st mentioning that brand as best selling
Andersen	47.7	Andersen	39.7
Marvin	13.4	Croft Metals	5.1
Caradco Window & Door Mfg.	7.4	Keller Ind.	3.4
Croft Metals	7.1	International	3.1
International	4.3	Marvin	2.1
Better Built	3.5	Crestline	2.0
Keller Ind.	3.4	Crestmark	2.0
Crestline	3.3	Viking	1.9
Pella	3.0	Ideal Mfg.	1.0
Crestmark	2.7	Jordon Mfg.	1.0

2,170 stores surveyed; percentages projectable to all U.S. home centers

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

In terms of brand awareness, almost 40% of retailers polled mentioned Andersen first when questioned about their window product lines.

% of U.S. home center stores carrying name brand windows—by region

Northeast		North Central	
Andersen	60.1%	Andersen	75.5%
Marvin	20.7	Caradco Window & Door	16.7
Weather Shield Mfg.	5.9	Marvin	16.1
Caradco Window & Door	3.1	Crestline	8.9
Pella	2.8	Simko	6.5
		Pella	4.1
		Norco Windows	4.1
South		**West**	
Andersen	24.7%	International	22.2%
Croft Metals	18.4	Andersen	16.7
Crestmark	8.1	Marvin	15.3
Linco	7.2	Keller Ind. Inc.	12.8
Ideal Mfg.	5.8	Viking	11.3
Jordon Mfg.	5.8	Croft Metals	10.1
Pella	3.8	Better Built	7.8

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

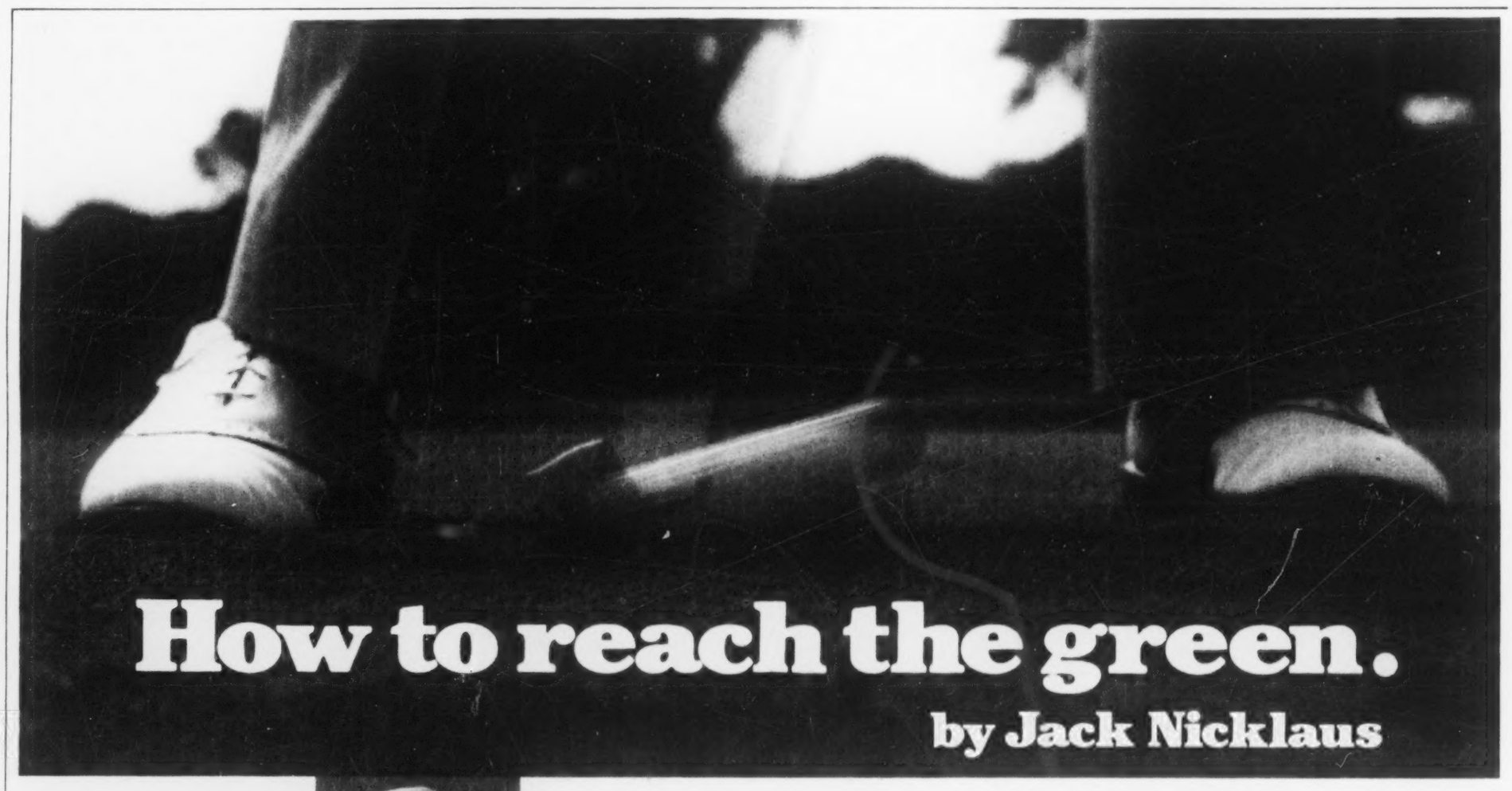
While Andersen's market penetration is relatively strong in all regions, it is significantly weaker in the South and West compared with the Northeast and North Central. And regionality does seem to play an important role in a retailer's selection of a window vendor.

% of U.S. home center stores that carry top brand windows—by company size

Percentages reflect distribution of brand penetration

No. of stores	
One	
Andersen	50.0%
Marvin	9.7
Caradco Window & Door Mfg.	8.1
International	6.5
2-10	
Andersen	51.9%
Caradco Window & Door Mfg.	12.4
Croft Metals	7.3
Marvin	4.7
Wenco	3.9
Over 10	
Andersen	42.3%
Marvin	23.7
Croft Metals	10.5
Keller Ind.	7.9
Co. sales volume	
Under $1 million	
Andersen	63.4%
Marvin	15.5
International	10.7
Crestline	10.7
Pella	7.1
Acorn Mfg.	7.1
$1 million-$3 million	
Andersen	50.9%
Caradco Window & Door Mfg.	10.6
Crestmark	8.3
Weather Shield Mfg.	7.2
Marvin	6.1
$3 million-$10 million	
Andersen	38.9%
Marvin	15.5
Croft Metals	8.1
Caradco Window & Door Mfg.	7.9
Peachtree	5.6
Over $10 million	
Andersen	48.5%
Marvin	18.8
Croft Metals	9.2
International	8.4

Source: *NHCN;* Leo J. Shapiro and Assoc.



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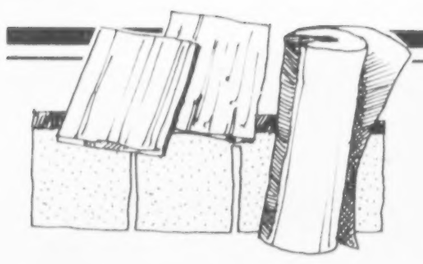

NHCN BRANDS STUDY

Home centers partial to name brand roofing

Nearly 4 of 5 home center stores carry some brand of roofing, according to the new *National Home Center News* survey, with Owens-Corning, carried by 21.6% of all stores, and GAF, carried by 19.9%, the front runners. Those companies were followed in market penetration by Certain-Teed, at 13.4%, and Manville, at 11% of stores.

Georgia-Pacific, Tampko and Celotex were carried at between 8%-10% of stores. No other brand was carried by over 5%.

Stores in chains doing over $10 million most often carried CertainTeed, the survey found. Although that brand was carried by 30% of such stores, it was carried by only about 10%, or less, of stores in chains doing smaller volumes.

GAF was strongest among single unit stores, while Owens-Corning and CertainTeed were about equally strong among companies with more than 10 units.

Stores selling primarily to contractors carry roofing about 96% of the time, compared to only 67% of those stores selling primarily to consumers and 80% of stores with an even consumer-contractor mix. Close to 40% of the contractor outlets said they carried GAF, while only about 20% carried Owens-Corning. Positions were reversed at primarily consumer stores, 16.7% of which carried Owens-Corning and 7.5% of which carried GAF.

In general, single-store operations showed a higher incidence of carrying roofing (84%) compared to multiple-unit operations, in which only about three-fourths of the stores carried roofing.

Top of the mind awareness of specific brands, based on brands first mentioned, showed relatively little variation from total mention figures in the survey. The one significant exception is the case of Manville, which scored higher on the first-mention list than on the total mention ranking, indicating that retailers are perhaps more familiar with the brand than its penetration in the market might suggest.

TOP BRANDS STUDY: ROOFING

MARKET PENETRATION Brands	% of home centers carrying that brand	TOP OF MIND AWARENESS Brands	% of home centers 1st mentioning that brand as best selling
Owens-Corning	21.6	Owens-Corning	15.6
GAF Corp.	19.9	GAF Corp.	13.1
CertainTeed	13.4	CertainTeed	10.6
Manville	11.0	Georgia-Pacific	6.7
Georgia-Pacific	9.7	Tampko	6.1
Tampko	9.4	Celotex Corp.	4.0
Celotex Corp.	8.5	Manville	4.0
Bird Roofing	5.0	Bird Roofing	3.8
Flintkote Supply	3.5	IKO	2.5
IKO	3.2	Flintkote Supply	1.9

2,170 stores surveyed; percentages projectable to all U.S. home centers

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

% of U.S. home center stores carrying name brand roofing—by region

Northeast		North Central	
Owens-Corning	26.6%	GAF Corp.	25.2%
Celotex Corp.	11.9	Certain-Teed	22.9
GAF Corp.	11.6	Owens-Corning	17.7
Manville	7.3	Tampko	13.9
Georgia-Pacific	7.1	Manville	12.2
Bird Roofing Prod.	3.1	IKO	5.5
		Celotex Corp.	4.1
South		**West**	
GAF Corp.	28.4%	Owens-Corning	34.4%
Georgia-Pacific	23.1	Celotex Corp.	19.1
Owens-Corning	14.5	Certain-Teed	12.8
Bird Roofing Prod.	13.6	Manville	10.3
Manville	12.1	Tampko	7.6
Tampko	10.7	Gibson-Homans Co.	5.5
Certain-Teed	9.4	GAF Corp.	5.2

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

Regional leaders included Owens-Corning, carried by one of three Western stores, GAF, carried by over a quarter of Southern stores; where almost 25% of Southern stores carry Georgia-Pacific, roughly the same percentage of North Central stores carry GAF and CertainTeed.

% of U.S. home center stores that carry top brand roofing—by company size

Percentages reflect distribution of brand penetration

No. of stores	
One	
GAF Corp.	22.6%
Owens-Corning	19.4
Georgia-Pacific	12.9
Manville	11.3
CertainTeed Corp.	9.7
2-10	
GAF Corp.	22.0%
Owens-Corning	21.3
Manville	14.2
Tampko	9.9
Georgia-Pacific	8.5
Over 10	
Owens-Corning	23.7%
CertainTeed Corp.	23.6
GAF Corp.	15.8
Tampko	13.1
Celotex Corp.	13.1
Co. sales volume	
Under $1 million	
GAF Corp.	17.8%
Owens-Corning	15.8
Manville	13.9
Georgia-Pacific	12.3
Bird Roofing Prod.	10.7
$1 million-$3 million	
GAF Corp.	17.9%
Georgia-Pacific	16.7
Owens-Corning	16.6
Manville	13.3
CertainTeed Corp.	9.9
$3 million-$10 million	
GAF Corp.	28.0%
Owens-Corning	17.9
Tampko	16.5
Bird Roofing Prod.	10.1
Manville	9.5
Over $10 million	
CertainTeed Corp.	30.0%
Owens-Corning	25.0
GAF Corp.	22.5
Georgia-Pacific	12.8
Tampko	12.7

Source: *NHCN;* Leo J. Shapiro and Assoc.

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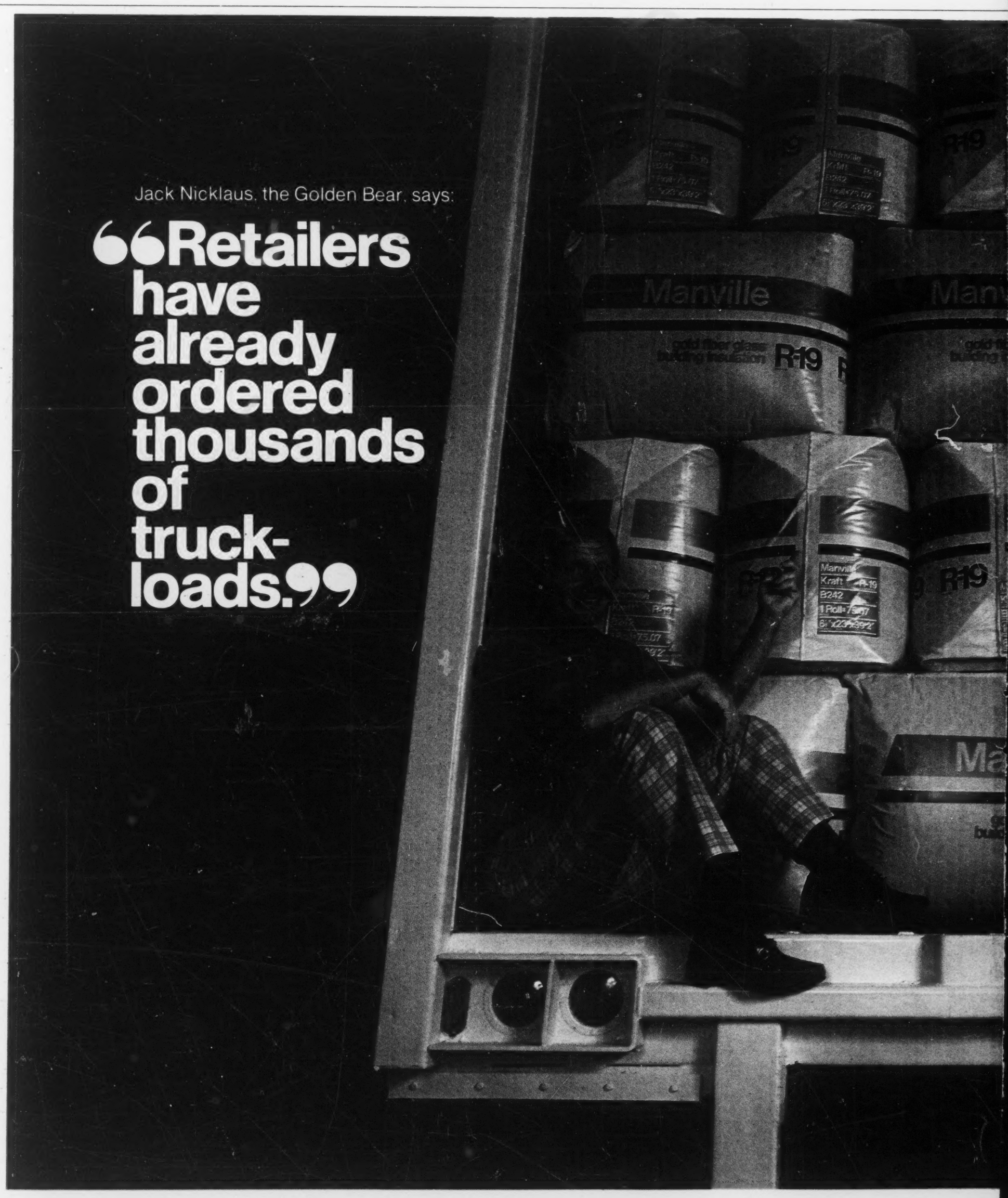
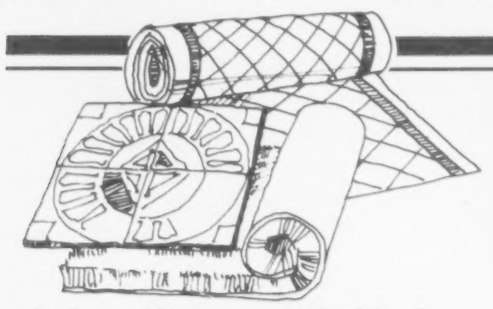


NHCN BRANDS STUDY



Flooring penetration distributed by region

Only a little over half of America's home center stores carry flooring, according to the results of the new *National Home Center News* survey.

Flooring's penetration varies considerably by region, since about 3 of 5 stores in the Northeast and South carry the product, while only 2 of 5 stores in the West have it.

By far the most popular name brand is Armstrong, carried by 29.3% of stores, compared with 13.9% carrying Bruce, and 7% carrying GAF. No other brand is carried by more than 5% of stores. The survey views flooring as a total category and does not consider separately its various products: vinyl tile, sheet vinyl, carpet, wood and so forth.

While Armstrong is carried fairly evenly nationally, other brands show regional strengths. Bruce is carried by 25.1% of Northeastern stores but only by 2.5% of Western stores. GAF is carried by about 12% of Southern stores but only 4.8% of North Central stores. Congoleum is carried by about 10% of Southern stores but only 2.1% of North Central stores.

Company size also impacts on brand choice. Stores belonging to companies doing over $10 million carry Armstrong 35.9% of the time compared with 25% among outlets with companies doing under $1 million. The latter group carries Bruce 27.8% of the time while companies with over $10 million carry that brand only 5.1% of the time.

Home centers selling primarily to consumers carry flooring products about half the time, while less than half of home centers primarily serving contractors carry the product and 63% serving both contractors and consumers equally handle flooring.

Consumer oriented stores carry Armstrong 32.5% of the time and Bruce 7% of the time; contractor oriented stores carry Bruce 22.4% of the time and Armstrong 9.8% of the time.

For the most part, results of the brand awareness section of the survey coincided with brand market penetration results. One of 5 stores mentioned Armstrong Cork first while 1 of 10 mentioned Bruce first. No other single brand was mentioned first by more than 5% of the stores.

% of U.S. home center stores carrying name brand flooring—by region

Northeast		North Central	
Armstrong	26.3%	Armstrong	27.3%
Bruce	25.1	Bruce	16.7
Kentile	8.8	GAF	4.8
GAF	6.2	Mannington	3.4
Congoleum	5.9	Salem Carpet Mills	2.6
Oakwood Mfg.	3.1	Congoleum	2.1
		Kentile	1.6
South		**West**	
Armstrong	31.1%	Armstrong	33.2%
GAF	11.9	GAF	5.1
Bruce	11.3	Tarkett	5.1
Congoleum	9.3	Bruce	2.5
Tarkett	8.1		
Harris	3.8		

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

TOP BRANDS STUDY: FLOORING

MARKET PENETRATION Brands	% of home centers carrying that brand	TOP OF MIND AWARENESS Brands	% of home centers 1st mentioning that brand as best selling
Armstrong	29.3	Armstrong	20.0
Bruce	13.9	Bruce	10.9
GAF Corp.	7.0	GAF Corp.	4.8
Congoleum Corp.	4.4	Congoleum Corp.	2.7
Tarkett	3.7	Tarkett	1.2
Kentile	2.6	Amtico	1.0
Mannington Mills	1.7	Salem Carpet Mills	0.7
Harris	1.0	Harris	0.5
Amtico	1.0	Oakwood Mfg.	0.5
Top Tile-Whitegate	1.0	Kentile	0.5

2,170 stores surveyed; percentages projectable to all U.S. home centers

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

By far the most popular name brand flooring is Armstrong, carried by 29.3% of stores, compared with 13.9% carrying Bruce and 7% carrying GAF. No other brand is carried by more than 5% of stores.

% of U.S. home center stores that carry top brand flooring—by company size

Percentages reflect distribution of brand penetration

No. of stores	
One	
Armstrong Cork	24.2%
Bruce	24.2
GAF Corp.	9.7
Tarkett	3.2
Kentile	3.2
Harris	3.2
2-10	
Armstrong Cork	22.5%
Bruce	16.7
Congoleum Corp.	9.7
GAF Corp.	6.4
Mannington Mills	3.9
Over 10	
Armstrong Cork	39.5%
GAF Corp.	5.2
Tarkett	5.2
Co. sales volume	
Under $1 million	
Bruce	27.8%
Armstrong Cork	25.0
Harris	7.1
Mannington Mills	6.8
GAF Corp.	3.3
$1 million-$3 million	
Armstrong Cork	19.2%
Bruce	14.0
GAF Corp.	5.8
Mannington Mills	3.4
$3 million-$10 million	
Armstrong Cork	31.7%
Bruce	16.1
GAF Corp.	11.8
Tarkett	7.0
Congoleum Corp.	6.8
Over $10 million	
Armstrong Cork	35.9%
GAF Corp.	8.2
Bruce	5.1
Congoleum Corp.	4.8

Source: *NHCN;* Leo J. Shapiro and Assoc.

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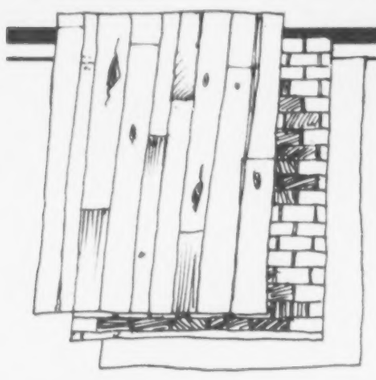
NHCN TOP BRANDS STUDY



Paneling brands show up strong at contractor-oriented retailers

Three out of 4 home improvement centers carry name brand paneling, according to a new survey by *National Home Center News*.

Responses from 2,170 stores indicated that name brands are being carried most heavily by retailers in the South and North Central regions.

Name brand paneling seems to be carried by stores regardless of their volume or the size of the chain to which they may belong.

Name brands also made a strong showing among stores that sell primarily to contractors: 87.2% of those retail outlets reported carrying such paneling merchandise. More than half of those stores carry Georgia-Pacific.

Georgia-Pacific was also the name brand carried most often overall, capturing 35.7% of the total poll. More than 45% of one-store independents polled said they carried the brand, while nearly 42% of those stores belonging to companies with less than $1 million in sales reported having the line.

The name brand's market penetration fell evenly across the boundaries of region and chain size. Georgia-Pacific was carried in the Northeast, North Central, South and West by between 27.8% and 42.3% of the respondent stores.

Champion, listed as the second most-carried name brand by 22.5% of the sample population, also had strong contractor penetration, with almost 37% of those units carrying the brand. Champion's presence in consumer and contractor-consumer oriented outlets dropped significantly, however. In the latter category, Champion is carried by 20.4% of the stores while Georgia-Pacific is sold by 27.3%.

Other brand names, including Abitibi and Weyerhauser, showed stronger consumer or consumer-contractor orientation. In fact, Abitibi is in 22.5% of consumer stores, its strongest market, according to the survey. Weyerhauser is present in 24.9% of consumer-contractor outlets.

At the same time, Masonite appeared strongest in those stores as well, with its product in 25.7% of such outlets.

The top companies in market penetration remained roughly in the same order when compared to brand awareness.

TOP BRANDS STUDY: PANELING

MARKET PENETRATION Brands	% of home centers carrying that brand	TOP OF MIND AWARENESS Brands	% of home centers 1st mentioning that brand as best selling
Georgia-Pacific	35.7	Georgia-Pacific	18.1
Champion Int'l	22.5	Champion Int'l	10.2
Abitibi	17.7	Abitibi	7.7
Weyerhaeuser	17.0	Masonite	7.0
Masonite	16.7	Weyerhaeuser	6.7
Pluswood Inc.	7.2	Pluswood Inc.	3.9
States Industries Inc.	6.9	Pacific Wood Products	1.3
Pacific Wood Products	5.3	Weldwood	1.2
		Ply Gem Mfg.	1.0
Ply Gem Mfg.	4.7	Aetna	1.0
Rose-Burg	4.2	U.S. Plywood	1.0

2,170 stores surveyed; percentages projectable to all U.S. home centers

Source: *National Home Center News*; Leo J. Shapiro and Assoc.

Paneling brand awareness roughly mirrors market penetration, according to the new NHCN *survey.*

% of U.S. home center stores carrying name brand paneling—by region

Northeast		North Central	
Georgia-Pacific	65.1%	Georgia-Pacific	36.2%
Masonite Corp.	23.8	Abitibi	24.9
Champion Int'l	23.4	Masonite Corp.	23.8
Weyerhaeuser	20.7	Weyerhaeuser	16.4
Abitibi	18.9	Pluswood Inc.	13.7
Ply Gem Mfg.	10.7	Champion Int'l	12.8
Pacific Wood Products	8.8	States Industries	10.1
South		**West**	
Georgia-Pacific	42.3%	Georgia-Pacific	32.3%
Champion Int'l	28.2	Champion Int'l	31.8
Weyerhaeuser	15.6	Weyerhaeuser	16.9
Masonite Corp.	12.7	Abitibi	14.1
Abitibi	10.0	States Industries	12.8
Pluswood Inc.	4.4	Pluswood Inc.	5.1
Aetna	3.8	Pacific Wood Products	5.1

Source: *National Home Center News*; Leo J. Shapiro and Assoc.

Name brands' market penetration fell fairly evenly across the country.

% of U.S. home center stores that carry top brand paneling—by company size

Percentages reflect distribution of brand penetration

No. of stores	
One	
Georgia-Pacific	45.2%
Weyerhaeuser	25.8
Masonite Corp.	21.0
Champion Int'l	17.7
Abitibi	12.9
2-10	
Georgia-Pacific	33.7%
Champion Int'l	25.8
Weyerhaeuser	21.7
Abitibi	15.7
Masonite Corp.	10.2
Over 10	
Georgia-Pacific	29.0%
Champion Int'l	23.9
Abitibi	23.6
Masonite Corp.	18.4
Co. sales volume	
Under $1 million	
Georgia-Pacific	41.7%
Weyerhaeuser	25.9
Abitibi	20.7
Masonite Corp.	14.2
Champion Int'l	12.3
$1 million-$3 million	
Georgia-Pacific	35.2%
Weyerhaeuser	25.1
Champion Int'l	23.3
Abitibi	13.9
Masonite Corp.	12.4
$3 million-$10 million	
Georgia-Pacific	39.3%
Champion Int'l	25.9
Weyerhaeuser	14.9
Abitibi	10.1
Over $10 million	
Georgia-Pacific	37.8%
Masonite Corp.	31.7
Champion Int'l	24.9
Abitibi	18.8
Weyerhaeuser	12.7
Pacific Wood Prod.	12.7

Source: *NHCN*; Leo J. Shapiro and Assoc.

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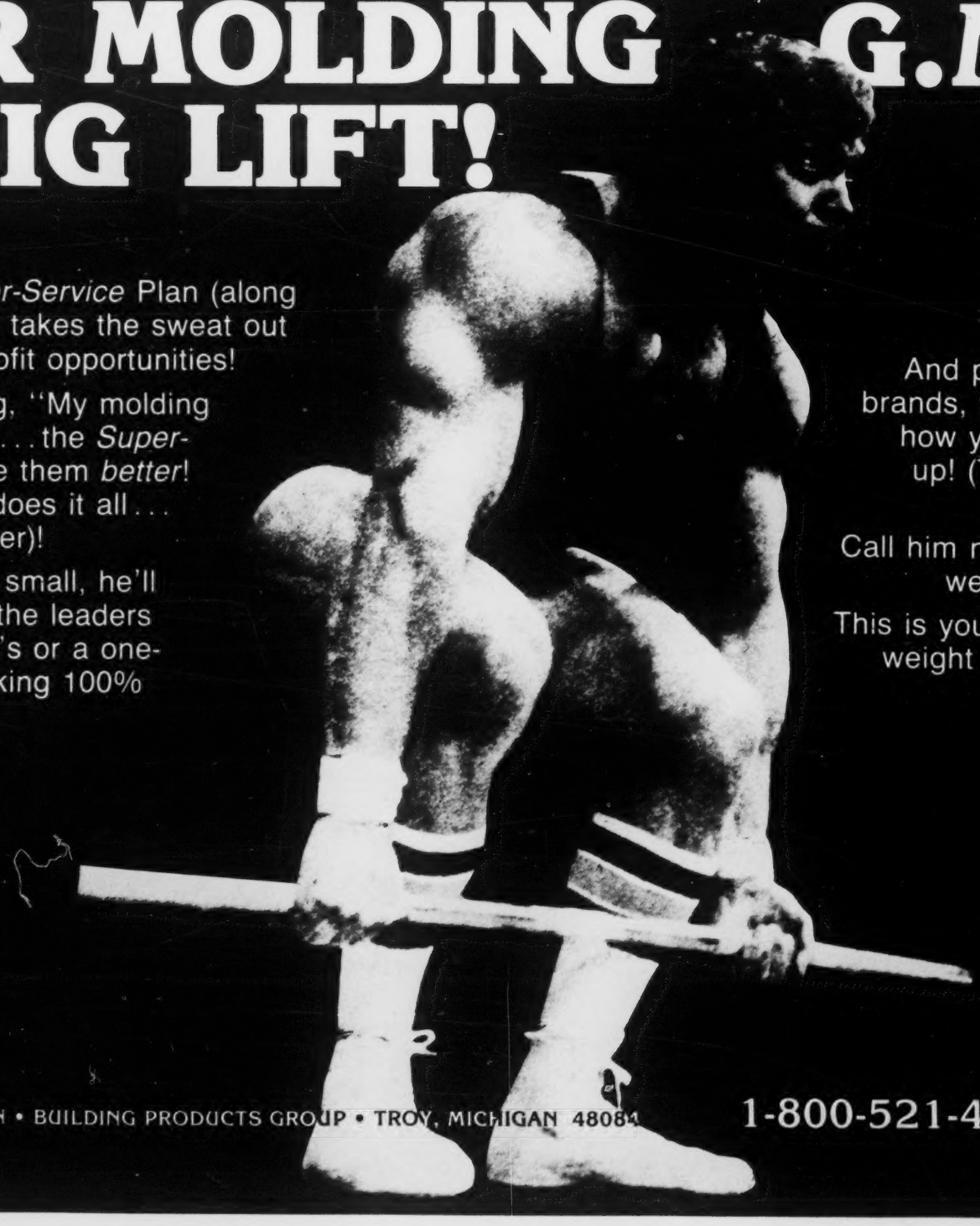

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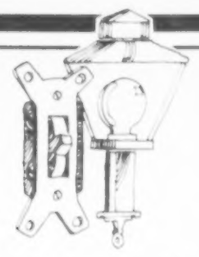

Electricals, light fixtures flicker at home centers

No single brand of electrical and lighting fixtures is carried by more than 13% of America's home center stores, according to the new *National Home Center News* survey.

Thomas Industries, identified as a best-selling brand carried by 13% of the nation's home center stores and Diamond F, identified by 12.7%, were the front runners.

Progress Lighting was third in *NHCN*'s measurement of market penetration. About one of 10 home center stores carry Progress, while about one in 20 carry Leviton Manufacturing brand. No other brand is carried in more than 5% of the stores.

Part of the relatively low penetration of electrical brands is a result of the fact that only a little over half of the home centers carry electrical and lighting fixtures at all. However, this figure was depressed considerably by the fact that only 26.3% of Northeastern home centers carry the merchandise, compared with from 56.6% to 58.3% of respondents in other regions.

Larger firms are more likely to carry this merchandise than smaller ones. While only a third of single-unit home centers carry the merchandise, 63.2% of chains with over 10 units do so.

Retailers working for the largest home centers, doing over $10 million volume, said they carried Diamond F nearly 20% of the time and General Electric 11.9% of the time. On the other hand, smaller firms selected those brands much less often.

% of U.S. home center stores carrying name brand electrical/lighting fixtures—by region

Northeast		North Central	
Leviton Mfg. Co.	5.9%	Thomas Ind.	22.1%
Prestige Line	5.7	Diamond F	13.8
Diamond F	3.1	General Electric	10.6
Progress Lighting	2.8	Leviton Mfg. Co.	8.0
		Delval Lighting	4.6
		Progress Lighting	2.9
		American Fluorescent	2.5
South		**West**	
Progress Lighting	20.0	Diamond F	12.8
Diamond F	17.1	Delval Lighting	10.1
Thomas Ind.	14.4	Leviton	6.3
Starlight	8.2	Thomas Ind.	5.2
Eagle Electric Mfg.	4.4		
I.T.T.	3.7		
Modulite	3.6		

Source: *National Home Center News*; Leo J. Shapiro and Assoc.

% of U.S. home center stores that carry top brand electrical/lighting fixtures—by company size

Percentages reflect distribution of brand penetration

No. of stores	
One	
Thomas Ind.	14.5%
Diamond F	8.1
Progress Lighting	8.1
Starlight	3.2
Triangle Home Products	1.6
2-10	
Diamond F	17.1%
Thomas Ind.	14.5
Progress Lighting	8.0
Leviton Mfg.	7.7
General Electric	6.2
Over 10	
Diamond F	13.1%
Thomas Ind.	10.5
Leviton Mfg.	8.0
Progress Lighting	7.9
General Electric	7.9
Co. sales volume	
Under $1 million	
Thomas Ind.	14.9%
Progress Lighting	10.4
Diamond F	7.1
Delval Lighting	3.3
I.T.T.	3.3
$1 million-$3 million	
Thomas Ind.	11.8%
Diamond F	8.3
Starlight	5.8
Progress Lighting	5.0
Prestige Line Inc.	4.6
$3 million-$10 million	
Thomas Ind.	17.7%
Diamond F	13.3
Leviton Mfg.	13.3
Progress Lighting	11.3
Starlight	4.6
I.T.T.	4.6
Over $10 million	
Diamond F	19.5%
General Electric	11.9
Thomas Ind.	8.9
Progress Lighting	7.5
Leviton Mfg.	7.5
Delval Lighting	7.5

Source: *NHCN*; Leo J. Shapiro and Assoc.

TOP BRANDS STUDY: ELECTRICAL/ LIGHTING FIXTURES

MARKET PENETRATION Brands	% of home centers carrying that brand	TOP OF MIND AWARENESS Brands	% of home centers 1st mentioning that brand as best selling
Thomas Ind.	13.0	Diamond F	11.7
Diamond F	12.7	Thomas Ind.	11.1
Progress Lighting	8.0	Progress Lighting	6.9
Leviton Mfg. Co. Inc.	5.3	Delval Lighting	4.1
General Electric	4.8	Leviton Mfg. Co.	2.1
Delval Lighting	4.1	General Electric	1.4
Starlight	2.2	Eagle Electric Mfg.	1.2
McGraw-Edition	1.9	McGraw-Edison	1.0
I.T.T.	1.5	Prestige Line	1.0
Eagle Electric Mfg.	1.2	American Fluorescent	0.9

2,170 stores surveyed; percentages projectable to all U.S. home centers

Source: *National Home Center News*; Leo J. Shapiro and Assoc.

Thomas Industries, Diamond F and Progress Lighting were the leaders in market penetration and top of mind awareness, according to the NHCN survey. Regionally, Leviton was carried by the highest percentage of Northeast stores while Thomas led in the North Central, Progress in the South and Diamond F in the West.

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Call us! We'll be happy to create a custom lighting center program specifically targeted at *your* customers!

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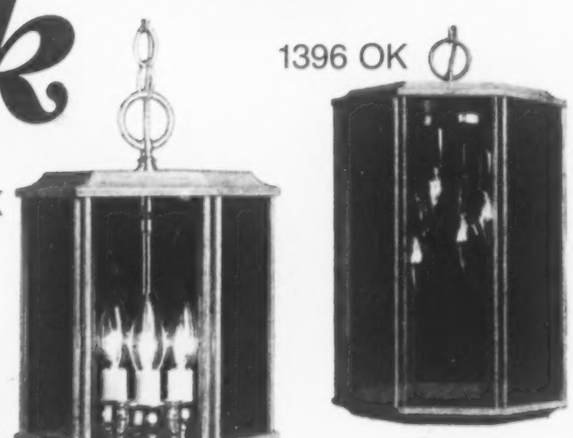

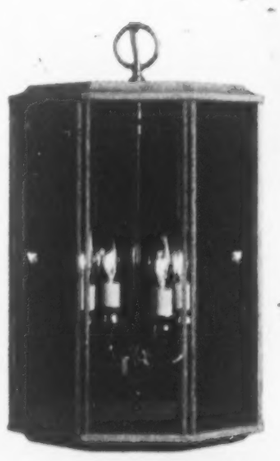

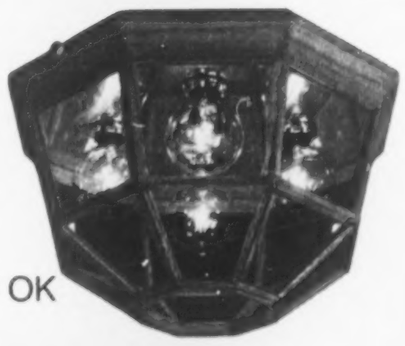

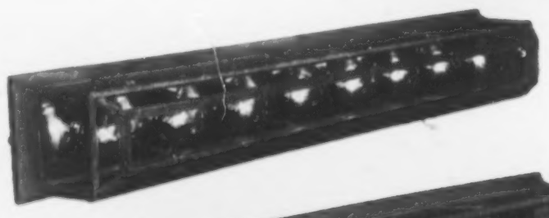

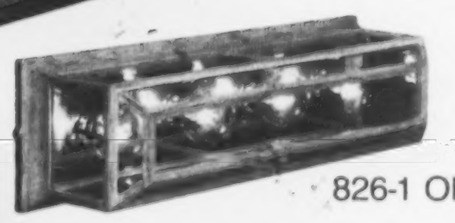

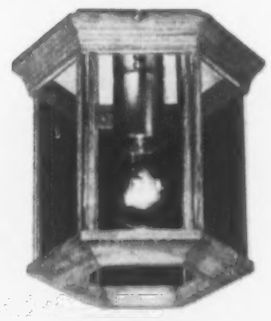

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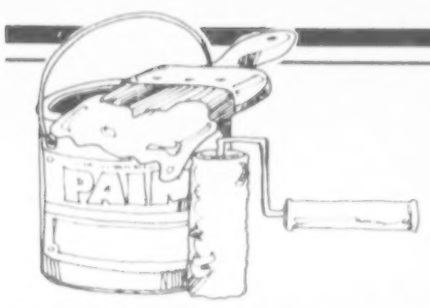
DIAMOND F CORP.



Myriad of paint mfgs. test market favorites

% of U.S. home center stores carrying name brand paint—by region

Northeast		North Central	
Olympic	29.1%	Olympic	33.4%
Rust-oleum	22.3	Glidden	15.5
Tru-Test	19.5	Colony	10.3
Glidden	17.8	Valspar	7.2
Cuprinol	14.7	DAP	7.0
Dutch Boy/ Martin-Senour	14.5	Sherwin Williams	6.4
Pratt & Lambert	7.3	Dutch Boy/ Martin-Senour	6.0
South		**West**	
Olympic	23.2%	Olympic	32.1%
Glidden	16.8	Glidden	21.4
Rust-oleum	9.6	DAP	12.8
Precision	7.2	Formby's	10.1
Dutch Boy/ Martin-Senour	6.4	Sherwin Williams	7.8
Minwax	6.4	Fuller-O'Brien	7.8

Source: *National Home Center News*; Leo J. Shapiro and Assoc.

Olympic and Glidden Paint, two national brands whose market dominance has been tested lately by myriad manufacturers, continue to be identified as the leading brands being carried by home center dealers.

Three home center retailers out of every 10 who were asked "what are your best-selling name brands in paint" responded Olympic, which is manufactured in Bellevue, Wash. Glidden, based in Cleveland, ranked second, with respondents at nearly one-fifth of United States home centers claiming to carry the brand.

Also mentioned prominently were the paint lines made by Sherwin-Williams Co. Its Dutch Boy and Martin Senour brands—which are sold by a wide range of dealers—placed fifth among home center retailers as a best-selling brand, while the company's Sherwin-Williams line—sold mostly in its own 1,367 stores—ranked seventh.

In addition, brands bearing the Colony and Pittsburgh names were among the national labels that home center retailers identified as the leading sellers in their stores, as were DAP (which makes the "Derusto" enamels and coatings lines) and Minwax (which manufactures varnish).

Among the leading paint brands, there appear to be some regional retailer preferences: For instance, Rust-oleum, the third-ranking brand overall, got its highest response rate from Northeastern home center dealers, as did Dutch Boy and Martin Senour. About 20% of dealers carrying Tru-Test paint were in the Northeast, the same percentage as the proportion of dealer-members (1,439 of 7,000) affiliated with Cotter & Co., the wholesale co-op that makes Tru-Test, that are also in this region.

Colony Paint, made in Kansas City, Mo., got its highest response rate in the North Central states (Colony's biggest retail customer is Payless Cashways).

NHCN TOP BRANDS STUDY

TOP BRANDS STUDY: PAINT

MARKET PENETRATION Brands	% of home centers carrying that brand	TOP OF MIND AWARENESS Brands	% of home centers 1st mentioning that brand as best selling
Olympic	29.6	Glidden	14.0
Glidden	17.4	Olympic	10.2
Rust-oleum	7.8	Dutch Boy/ Martin-Senour	5.3
Dutch Boy/ Martin-Senour	7.0	Colony	4.3
Colony	5.8	Enterprise Paint Co.	3.9
Dap	5.7	Tru-Test	3.8
Sherwin-Williams	5.3	The Valspar Corp.	3.3
Tru-Test	5.3	Benjamin Moore & Co.	3.3
Pittsburgh Paints	5.2	Fuller-O'Brien	3.2
Minwax	4.7	Sherwin Williams	3.0

2,170 stores surveyed; percentages projectable to all U.S. home centers

Source: *National Home Center News*, Leo J. Shapiro and Assoc.

% of U.S. home center stores that carry top brand paint—by company size

Percentages reflect distribution of brand penetration

No. of stores	
One	
Olympic	33.9%
Glidden	16.1
Rust-oleum	8.1
Tru-Test	8.1
Minwax	8.1
Benjamin Moore & Co.	8.1
2-10	
Olympic	29.3%
Glidden	14.2
Dutch Boy/Martin-Senour	6.6
Samuel Cabot	6.1
Valspar	6.0
Over 10	
Olympic	26.2%
Glidden	21.1
Rust-oleum	10.5
DAP	10.5
Enterprise	10.5
Formby's	10.5
Co. sales volume	
Under $1 million	
Olympic	35.2%
Glidden	11.0
Dutch Boy/Martin-Senour	8.7
Sherwin-Williams	7.1
Minwax	7.1
Benjamin Moore & Co.	7.1
$1 million-$3 million	
Olympic	41.3%
Glidden	15.9
Benjamin Moore & Co.	8.2
Minwax	8.0
Dutch Boy/Martin-Senour	6.7
$3 million-$10 million	
Olympic	20.4%
Glidden	17.5
Colony	13.2
Valspar	12.0
Tru-Test	8.0
Over $10 million	
Olympic	27.6%
Glidden	21.6
Enterprise	15.1
DAP	8.9

Source: *NHCN*; Leo J. Shapiro and Assoc.

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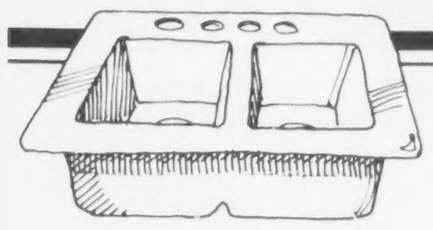


Advertising blurs line twixt fixtures, faucets

Kohler's line of plumbing fixtures is carried by more home center outlets, by a slight margin, than any single brand of fixtures, according to a new survey of home center retailers examining brand penetration.

However, an almost equal number of outlets reported carrying fixtures made by Artesian, American-Standard and Delta, indicating that market penetration by all these manufacturers.

Among the top five best-selling brands listed in the survey, regional preference of one over the other seems to be less prevalent than in other product categories. American-Standard, based in Piscataway, N.J., got its strongest response rate in the Northeast; Artesian, located in Mansfield, Ohio, had strong penetration in the North Central and Western states, and Delta showed strong market presence in Southern home centers.

In terms of top-of-mind awareness, in contrast to market penetration, Artesian and American-Standard were highest followed by Kohler, which, like Delta, was most well known among dealers selling to consumers, vs. those that sell to contractors.

It appears that advertising plays a big part in the way retailers perceive what a manufacturer has to offer them. For instance, Peerless and Price Pfister (under its former corporate name Norris Industries) are both primarily faucet makers, but they ranked fourth and seventh as the fixture brands "first mentioned" by dealers, an indication that the distinction between a fixture and a faucet has been smudged. Both of these companies do a considerable amount of trade and consumer advertising.

Another company, mentioned by retailers with a high promotional profile is Stanley Works, which introduced its 600-sku line of plumbing fittings and tools two years ago, and has been trying to crack what is a highly competitive, brand-conscious market. It ranked ninth as the "first mentioned" brand among dealers, despite the fact that it does not manufacture fixtures at all. However, Stanley does do a considerable amount of *plumbing* advertising, and dealers may, in fact, be lumping fittings and fixtures together in their responses.

The survey also revealed some dealer confusion about what manufacturers actually produce fixtures. For example, Genova was mentioned as a fixture manufacturer but actually produces pipe fittings, some plastic pipe and guttering. Several other companies were also erroneously named as fixture manufacturers.

TOP BRANDS STUDY: PLUMBING FIXTURES

MARKET PENETRATION Brands	% of home centers carrying that brand	TOP OF MIND AWARENESS Brands	% of home centers 1st mentioning that brand as best selling
Kohler Co.	9.2	Artesian	7.3
Artesian	8.8	American-Standard	5.5
American-Standard	8.6	Kohler	5.1
Delta	8.2	Peerless Faucet	4.1
Peerless Faucet	6.0	Delta	3.3
Eljer	4.1	Genova	2.8
Plumb Shop	3.7	Norris Ind. (Price-Pfister)	2.5
Genova Inc.	3.3	Eljer	2.1
Gerber Ind.	3.2	Stanley Works	1.9
Crane	3.0	Plumb Shop	1.7

2,170 stores surveyed; percentages projectable to all U.S. home centers

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

% of U.S. home center stores carrying name brand plumbing—by region

Northeast		North Central	
American-Standard	15.0%	Artesian	11.7%
Kohler Co.	9.3	Briggs & Stratton Corp.	8.9
Artesian	8.8	Kohler Co.	8.4
Eljer	5.9	Delta Ind.	7.7
Owens-Corning	5.9	American-Standard	7.0
Delta Ind.	5.7	Genova Inc.	5.7
Stanadyne/Moen div.	5.7	Crane	5.4
South		**West**	
Delta Ind.	9.7	Artesian	12.8
American-Standard	10.1	Norris Industries	12.8
Peerless Faucet Co.	9.7	Kohler Co.	10.5
Kohler Co.	9.3	Peerless Faucet Co.	10.1
Sterling Faucet	7.9	Stanley	10.1
Gerber Ind.	6.1	Delta Ind.	7.8
		Plumb Shop	7.8

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

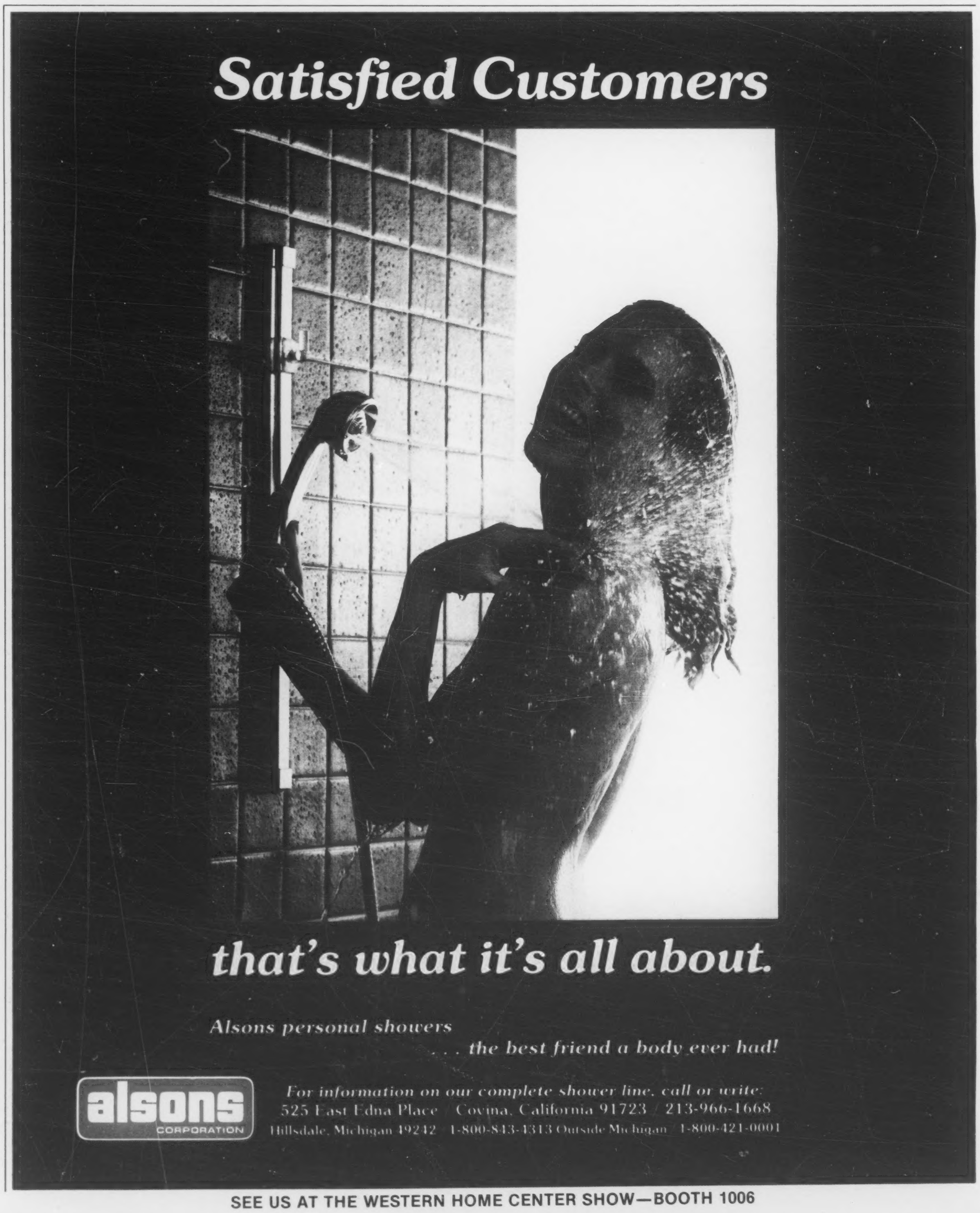
Although Kohler's plumbing fixtures are carried by more home center outlets, Artesian, American-Standard and Delta have made nearly equal penetration into the market.

% of U.S. home center stores that carry top brand plumbing fixtures—by company size

Percentages reflect distribution of brand penetration

No. of stores	
One	
Kohler Co.	16.1%
American-Standard	16.1
Delta Ind.	12.9
Eljer	9.7
Artesian	6.5
2-10	
Peerless Faucet	7.0%
Delta Ind.	6.8
Genova	5.7
Briggs & Stratton	5.6
Gerber Indus.	5.5
Over 10	
Artesian	15.7%
Peerless Faucet	10.5
Kohler Co.	7.9
American-Standard	5.2
Delta Ind.	5.2
Co. sales volume	
Under $1 million	
Kohler Co.	21.0%
American-Standard	17.8
Delta Ind.	17.8
Briggs & Stratton	10.7
Eljer	10.4
$1 million-$3 million	
Delta Ind.	9.1%
Eljer	7.2
Gerber Indus.	5.8
Kohler Co.	5.0
Artesian	5.0
$3 million-$10 million	
American-Standard	11.6%
Peerless Faucet	9.9
Plumb Shop	9.9
Kohler Co.	7.2
Eljer	4.8
Over $10 million	
Artesian	16.4%
Delta Ind.	10.3
American-Standard	7.5
Peerless Faucet	7.5
Kohler Co.	4.8

Source: *NHCN;* Leo J. Shapiro and Assoc.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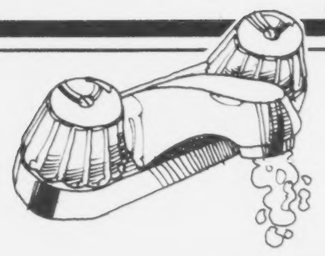
NHCN TOP BRANDS STUDY



Retailers more aware of name brand faucets

% of U.S. home center stores carrying name brand faucets—by region

Northeast		North Central	
Delta-Delex Faucet Co.	29.6%	Peerless Pottery	34.9%
Aqua-Line	15.8	Delta-Delex Faucet	29.6
Price Pfister	11.4	Stanadyne/Moen div.	10.8
Peerless Pottery	10.2	American Standard	6.3
Sterling Faucet Co.	8.8	Sterling Faucet Co.	6.2
Stanadyne/Moen div.	8.8	Lifetime Faucets	5.3
American Standard	8.8	Rockwell International	4.1
South		**West**	
Peerless Pottery	38.0	Peerless Pottery	53.1
Delta-Delex Faucet	24.4	Price Pfister	36.6
Sterling Faucet Co.	17.1	Delta-Delex Faucet	28.8
American Standard	11.0	Sterling Faucet Co.	12.8
Stanadyne/Moen div.	7.1	Stanadyne/Moen div.	5.5
Kohler	5.8	U.S. Brass	5.1
		Milwaukee	5.1

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

Peerless is the national brand of faucets carried most often by retail home improvement stores, especially those belonging to large, consumer-oriented chains, a national survey of retailers has shown.

Delta, another faucet brand manufactured by the same company as Peerless, showed up as the second most-carried name brand. Delta was found primarily in one-store independents and small chains which cater equally to the consumer and the professional.

The survey was designed to measure the market penetration of name brand faucets, nationally and regionally, while determining the size and primary customer of the retail home improvement companies which make such penetration possible. Responses were drawn from retailers representing 2,170 home center stores nationwide. The study also examined which brands retailers name first, among several, in respective product categories. Those asked to identify their best-selling faucet brands, for instance, most often named Peerless and Delta first, giving each brand 33.4% and 14.8% of the response respectively.

Sterling, the third most-carried name brand, was also ranked third in terms of name brand awareness. The most significant discrepancy between brand penetration and awareness was shown by Aqua-Line. Retailers seemed more aware of the name brand than the number of those actually carrying the line would indicate. Aqua-Line ranked seventh on the most-carried list, but moved to fifth place in first mentions among home center outlets.

Other leading brands mentioned by retailers were Price Pfister, in 9.7% of the nation's home centers; Stanadyne/Moen, in 8.4% of the stores, and American Standard in 7.3% of the stores. Kohler and U.S. Brass were in less than 3%.

Altogether, however, only 72.6% of American home improvement outlets currently carry name brand faucets, the survey showed.

Nearly 53% of those stores carrying Peerless belonged to chains with 10 or more units.

TOP BRANDS STUDY: FAUCETS

MARKET PENETRATION BRANDS	% of home centers carrying that brand	TOP OF MIND AWARENESS BRANDS	% of home centers 1st mentioning that brand as best selling
Peerless	35.1	Peerless	33.4
Delta Faucet	28.0	Delta Faucet	14.8
Sterling Faucet Co.	10.9	Sterling Faucet Co.	4.7
Price Pfister	9.7	Stanadyne/Moen	4.2
Stanadyne/Moen div.	8.4	Aqua-Line	3.4
American Standard	7.3	American Standard	2.0
Aqua-Line	5.1	Price Pfister	1.8
U.S. Brass	2.9	Kohler	1.0
Kohler	2.6	U.S. Brass	1.0
Gerber Industries	2.2	Midcor	0.2

2,170 stores surveyed; percentages projectable to all U.S. home centers

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

% of U.S. home center stores that carry top brand faucets—by company size

Percentages reflect distribution of brand penetration

No. of stores	
One	
Delta-Delex Faucet	38.7%
Peerless Pottery	12.9
Price Pfister	9.7
American Standard	9.7
Sterling Faucet	8.1
Stanadyne/Moen div.	8.1
2-10	
Peerless Pottery	37.4%
Delta-Delex Faucet	28.2
Sterling Faucet	11.1
Aqua-line	10.3
Nibco	4.9
Over 10	
Peerless Pottery	52.6%
Delta-Delex Faucet	18.6
Price Pfister	15.7
Sterling Faucet	13.1
Stanadyne/Moen div.	13.1
Co. sales volume	
Under $1 million	
Delta-Delex Faucet	43.0%
Price Pfister	14.2
Peerless Pottery	11.3
Sterling Faucet	10.4
Kohler	10.4
$1 million-$3 million	
Delta-Delex Faucet	29.4%
Peerless Pottery	21.9
Price Pfister	10.7
Stanadyne/Moen div.	9.7
Sterling Faucet	7.0
$3 million-$10 million	
Delta-Delex Faucet	32.5%
Peerless Pottery	29.1
Sterling Faucet	13.7
Aqua-line	13.3
American Standard	8.0
Over $10 million	
Peerless Pottery	52.9%
Sterling Faucet	18.8
Delta-Delex Faucet	16.0
Price Pfister	11.3
Stanadyne/Moen div.	11.3

Source: *NHCN;* Leo J. Shapiro and Assoc.

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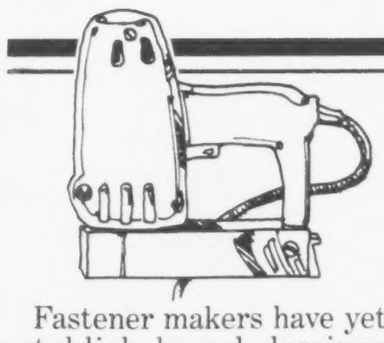


Fastener brands lack nationwide penetration

Fastener makers have yet to establish brand dominance among the nation's home centers, according to a new *National Home Center News* study of brand penetration in United States home centers.

In fact, while Arrow Fastener was carried by more home centers than any other single brand of fastener, none of the top five brands mentioned by retailers in the survey commanded better than 8.2% penetration in United States home centers, nor were in fewer than 5.6% of the stores.

VSI ranked second among "best-selling" fastener brands, being carried in 7.3% of the nation's home centers, followed by Bostik, Star Expansion and National.

Even among the second five brands listed, the percentages varied only slightly, perhaps indicating that among the leading fastener brands, none has succeeded in fully penetrating the home center market.

Statistically, there was a degree of brand preference when the survey's responses were broken down by region: Arrow, based in Saddle Brook, N.J., got its highest home center response from the Northeast; nearly one-quarter of the home centers in the West listed VSI as a best-selling brand; on the other hand, a very small percentage of those home centers listing National or Star Expansion were from the South.

The highest number of those home centers that identified VSI as a best-selling fastener brand in their stores were part of companies with annual sales over $10 million, whereas both Bostik and National received the greatest response rate from stores whose companies' sales were in the $1 million to $3 million range.

Dealers of chains with more than 10 units listed VSI as among the best-selling fastener brands more frequently than any other brand. Among the other five brands named, the percentage of home centers carrying each line did not change dramatically.

Three of the top five best-selling brands got a higher level of response from home centers catering to both contractors and consumers than those selling either exclusively.

TOP BRANDS STUDY: FASTENERS

MARKET PENETRATION BRANDS	% of home centers carrying that brand	TOP OF MIND AWARENESS BRANDS	% of home centers 1st mentioning that brand as best selling
Arrow Fastener	8.2	VSI	6.8
VSI	7.3	Arrow Fastener	5.7
Bostik, div. of Emhart Corp.	6.3	Bostik, div. of Emhart Corp.	4.9
Star Expansion Co.	5.7	Star Expansion Co.	4.6
National	5.6	National	3.8
Rockford Products	3.4	Rockford Products	2.4
Handi-Man Fasteners Inc.	2.9	Reed & Prince Mfg. Co.	2.3
Reed & Prince Mfg.	2.8	TECO	2.2
Stanley Works	2.8	Handi-Man Fasteners	1.9
Midwest Fastener	2.3	Stanley Works	1.7

2,170 stores surveyed: percentages projectable to all U.S. home centers

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

None of the top five brands mentioned in the NHCN *survey commanded better than a 8.2% penetration in U.S. home centers.*

% of U.S. home center stores carrying name brand fasteners—by region

Northeast		North Central	
Arrow Fastener Co.	22.0%	Bostik, div. of Emhart Corp.	11.1%
Reed & Prince Mfg.	11.9	Rockford Products Corp.	6.6
National	5.7	National	6.2
Handi-Man Fasteners	5.7	Arrow Fastener Co.	6.1
Star Expansion	4.5	Star Expansion	5.1
Stanley Works	3.1	Midwest Fastener	4.9
Henry L. Hanson	3.1	Stanley Works	4.7
South		**West**	
Arrow Fastener Co.	8.4%	VSI	22.9%
VSI	7.2	Star Expansion	10.3
Steel & Wire Products	5.3	National	9.0
Bostick, div. of Emhart Corp.	4.4	Bostik, div. of Emhart Corp.	5.2
Teco	4.4	Handi-Man Fasteners	5.1
Star Expansion	3.8	Keystone Brass & Rubber Co.	5.1

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

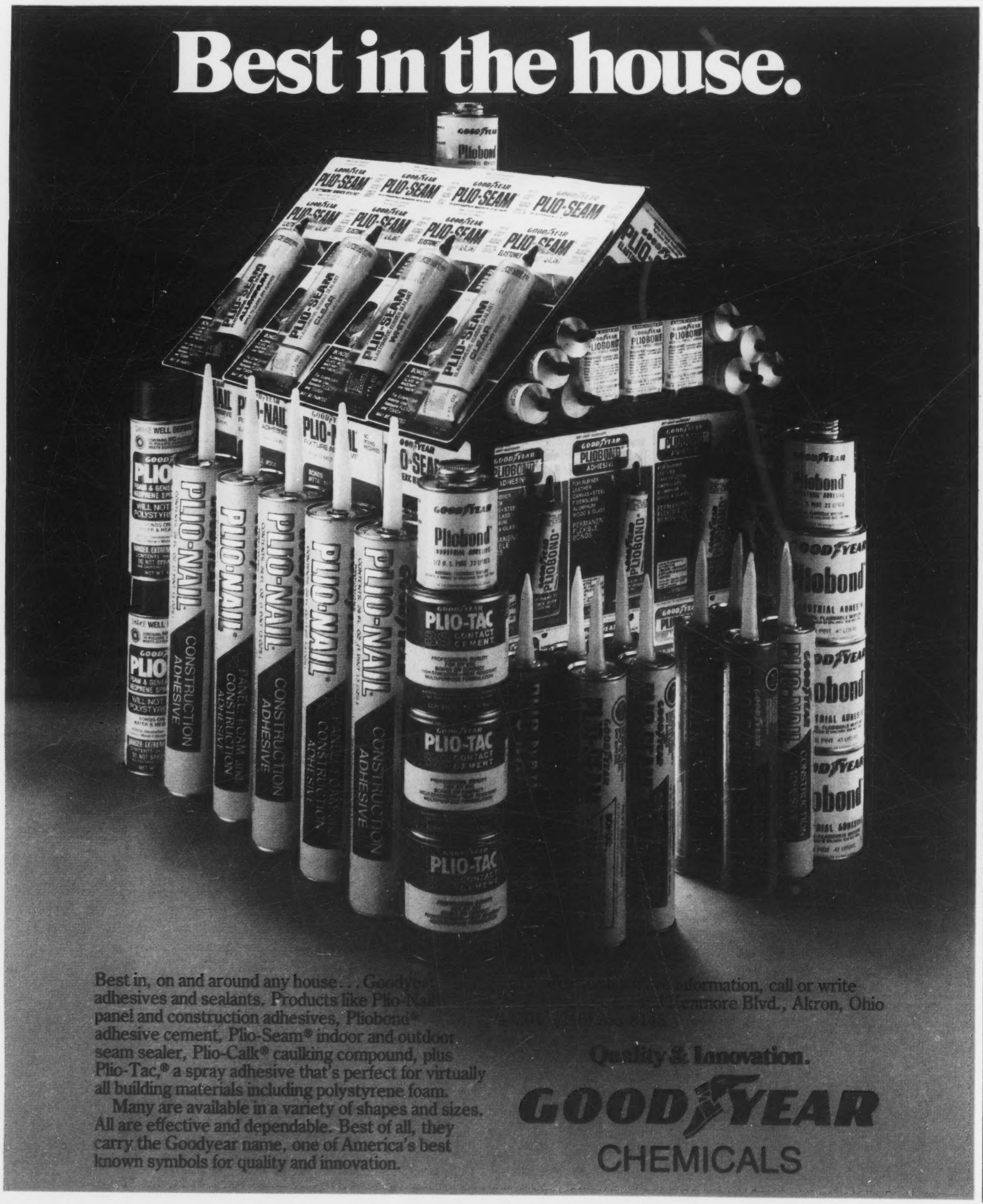
Statistically, there was a degree of brand preference when the NHCN *survey's responses were broken down by region with Arrow, Bostik and VSI leading the pack.*

% of U.S. home center stores that carry top brand fasteners—by company size

Percentages reflect distribution of brand penetration

No. of stores	
One	
Arrow Fastener Co.	9.7%
Bostik, div. of Emhart	6.5
Star Expansion Co.	6.5
National	6.5
Reed & Prince Mfg.	4.8
Stanley Works	4.8
Midwest Fastener	4.8
2-10	
Arrow Fastener Co.	7.2%
Bostik, div. of Emhart	7.1
Star Expansion Co.	5.3
National	5.0
VSI	4.7
Rockford Products	4.7
Over 10	
VSI	13.1%
Arrow Fastener Co.	7.9
Handi-Man Fasteners	7.9
Bostik, div. of Emhart	5.3
Star Expansion Co.	5.2
National	5.2
Rockford Products	5.2
Co. sales volume	
Under $1 million	
Arrow Fastener Co.	12.3%
Star Expansion Co.	7.1
VSI	3.6
Bostik, div. of Emhart	3.6
Midwest Fastener	3.6
$1 million-$3 million	
National	12.0%
Bostik, div. of Emhart	10.8
Arrow Fastener Co.	10.6
Star Expansion Co.	5.9
Midwest Fastener	5.0
$3 million-$10 million	
Teco	7.7%
National	7.1
VSI	6.8
Star Expansion Co.	6.4
Stanley Works	5.9
Over $10 million	
VSI	15.1%
Arrow Fastener Co.	12.4
Handi-Man Fasteners	11.3
Star Expansion Co.	7.5
Rockford Products	7.5

Source: *NHCN;* Leo J. Shapiro and Assoc.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National door market open on name brand preference

Stanley leads the pack of door manufacturers in terms of the number of home center stores that carry its product, according to a recent survey by *National Home Center News*.

After Stanley, which is carried by roughly 15% of America's home center outlets, the other leading brands—like Pease, Nord, Therm-Tru, Simpson and Peachtree—are carried in less than 10% but more than 7% of stores.

When it comes to brand awareness, however, Stanley is still the leader but not by as strong a margin. In other words, 8.3% of retailers contacted in the *NHCN* poll mentioned Stanley first when asked for their best selling name brands in doors, but 7% mentioned Pease first and other brands were not far behind.

Taylor was relatively high in name recognition but lower in market penetration, while the reverse was true of Peachtree.

TOP BRANDS STUDY: DOORS

MARKET PENETRATION Brands	% of home centers carrying that brand	TOP OF MIND AWARENESS Brands	% of home centers 1st mentioning that brand as best selling
Stanley Doors/ Stanley Works	15.2	Stanley Doors/ Stanley Works	8.3
Pease	9.6	Pease	7.0
Nord	8.8	Simpson Hardware	5.8
Therma-Tru	8.6	Nord	3.8
Simpson Hardware	7.9	Therma-Tru	3.5
Peachtree	7.2	Taylor	3.4
Nicolai	5.7	Peachtree	2.7
Benchmark	5.0	Benchmark	2.7
Taylor	4.2	Anderson	2.5
Morgan	2.8	T. M. Cobb	2.5

2,170 stores surveyed; percentages projectable to all U.S. home centers

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

Stanley leads the pack of door manufacturers in terms of the number of home center stores that carry its product.

Figures analyzed

In terms of the kind of outlet where each brand is strongest, Stanley is carried by 28.1% of the outlets that cater to both the consumer and contractor customer, making that its strongest market. Pease is also strongest there; 18% of such stores carry that brand.

In contrast both Nord and Therma-Tru show their strength to be in contractor-oriented stores. Each brand is found in about 13% of those kinds of operations. Peachtree is strong in contractor stores also as well as contractor-consumer outlets, while its products are much less likely to be found in mainly consumer stores.

Regionally, Stanley shows strength throughout the country with its greatest presence in the North Central states, which is similar to Pease, although that brand is much less likely to be found in the South.

While brand doors are carried in home centers of all sizes, they seem to be most available in stores run by companies with volumes of $1 million to $10 million as opposed to very small or large operations.

% of U.S. home center stores carrying name brand doors—by region

Northeast		North Central	
Peachtree	11.9%	Stanley Door/ Stanley Works	23.3%
Stanley Door/ Stanley Works	10.4	Pease	17.4
Pease	10.0	Peachtree	10.1
Simpson Hardware	9.0	Therma-Tru	9.5
Therma-Tru	8.8	Taylor	8.7
Morgan	5.7	Nord	8.2
Nu-Dor	5.7	Benchmark	7.5
South		**West**	
Stanley Door/ Stanley Works	16.4%	Nord	14.2%
Therma-Tru	13.4	Simpson Hardware	14.2
Nord	11.1	T. M. Cobb	13.2
Simpson Hardware	9.5	Nicolai	12.8
Nicolai	8.1	Castlegate	5.1
Benchmark	7.4	Croft	5.1
Pease	5.6	Forever Door	5.1

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

Regionally Stanley showed strength throughout the country with its greatest presence in the North Central states, as did Pease, although that brand is much less likely to be found in the South.

% of U.S. home center stores that carry top brand doors—by company size

Percentages reflect distribution of brand penetration

No. of stores	
One	
Stanley Door/ Stanley Works	16.1%
Simpson Hardware	9.7
Peachtree	9.7
Nord	8.1
2-10	
Stanley Door/ Stanley Works	16.8%
Pease	15.2
Simpson Hardware	12.4
Nord	7.4
Therma-Tru	5.5
Over 10	
Stanley Door/ Stanley Works	13.1%
Therma-Tru	13.1
Pease	10.5
Nord	10.5
Peachtree	8.0
Co. sales volume	
Under $1 million	
Stanley Door/ Stanley Works	12.0%
Therma-Tru	12.0
Pease	10.4
Morgan	10.7
Young Door	10.7
$1 million-$3 million	
Stanley Door/ Stanley Works	23.9%
Simpson Hardware	17.8
Benchmark	13.3
Pease	10.5
Nord	7.4
$3 million-$10 million	
Stanley Door/ Stanley Works	20.2%
Pease	15.5
Nord	10.3
Simpson Hardware	8.6
Peachtree	8.0
Over $10 million	
Stanley Door/ Stanley Works	15.4%
Peachtree	11.3
Pease	8.9
Therma-Tru	7.5
Taylor	5.1

Source: *NHCN;* Leo J. Shapiro and Assoc.

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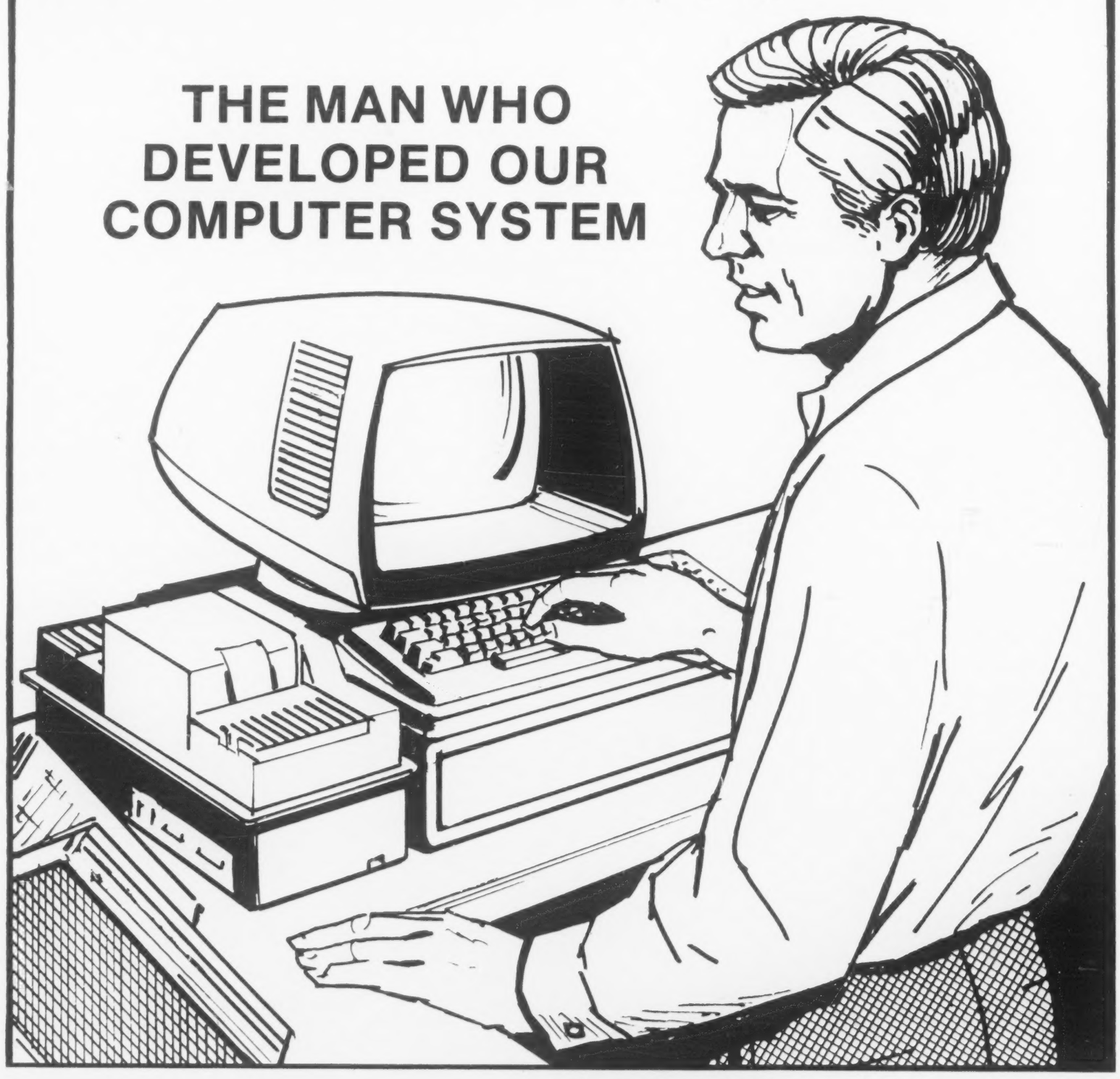

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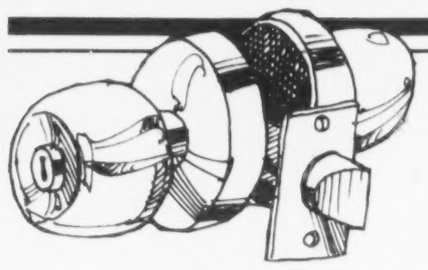

DIY market secure for lockset companies

Nine out of 10 home centers carry some brand of locksets, according to the new *National Home Center News* national brands survey. In the West, virtually all stores carry this merchandise on their shelves.

Companies doing less than $1 million volume represent an exception to this rule, since only 75% of them carry locksets.

Kwikset, carried by over 51% of all home center stores, is the leading brand. In the Northeast, nearly 60% of stores carry the brand, and in the West, 65.2%.

Weiser, which is carried in 31.6% of the country's home center stores, shows its strongest penetration in the North Central states, where 45.2% of the stores carry it, and in the West, where 42.6% of the stores carry it. This brand has a strong presence in moderate size companies doing between $3-and-$10 million annually, nearly half of which carry it.

Schlage Lock, carried by 26.1% of stores, is the third most popular brand. The brand is strongest in the Western states, where 41.6% of the stores carry it, and among stores that serve predominantly contractors, 30.6% of which carry the brand.

While Dexter is carried by 18.6% of stores, no other brand is carried by more than 7% of all stores.

However, Moss is carried by over 15% of stores in companies doing over $10 million; Yale is carried by over 13% of stores in companies doing from $3 to $10 million.

Weslock is carried by over 15% of stores in companies with annual volumes of over $10 million while nearly 13% of these same stores carry National Lock.

As for apparent brand recognition, first mention ranking of brands was similar to the penetration level results on store shelves. One exception was Harloc, which was the 10th most commonly stocked brand, but the sixth most often mentioned first by stores.

TOP BRANDS STUDY: LOCKSETS

MARKET PENETRATION Brands	% of home centers carrying that brand	TOP OF MIND AWARENESS Brands	% of home centers 1st mentioning that brand as best selling
Kwikset	51.5	Kwikset	35.6
Weiser	31.6	Weiser	20.4
Schlage Lock	26.1	Schlage Lock	11.7
Dexter	18.6	Dexter	9.3
Moss Manufacturing	6.4	Weslock	4.1
Yale	6.3	Harloc Products	2.0
Weslock	5.7	Yale	1.6
National Lock	4.2	Moss Manufacturing	1.5
Master Lock Co.	3.0	National Lock	1.0
Harloc Products	2.8	S. Parker	0.8

2,170 stores surveyed; percentages projectable to all U.S. home centers

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

% of U.S. home center stores carrying name brand locksets—by region

Northeast		North Central	
Kwikset	58.9%	Kwikset	45.5%
Schlage Lock	34.8	Weiser	45.2
Dexter	17.8	Dexter	24.4
Weiser	15.2	Schlage Lock	18.1
Yale	14.5	Moss	5.5
		Weslock	5.4
		Yale	5.3
South		**West**	
Kwikset	45.2	Kwikset	65.2
Dexter	20.8	Weiser	42.6
Schlage Lock	20.5	Schlage Lock	41.6
Weiser	15.8	Moss	22.9
Weslock	8.1	National Lock Hardware	8.1
Master Lock	6.6	Weslock	7.8
		Yale	5.2

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

Nine out of 10 home centers carry some brand of locksets. Kwikset, carried by 51.5% of all home center stores is clearly the leading brand. In the Northeast, nearly 60% of stores carry the brand, and in the West, 65.2%.

% of U.S. home center stores that carry top brand locksets—by company size

Percentages reflect distribution of brand penetration

No. of stores	
One	
Kwikset	50.0%
Weiser	33.9
Schlage Lock	24.2
Dexter	17.7
2-10	
Kwikset	54.8%
Weiser	32.2
Schlage Lock	21.7
Dexter	13.2
Master Lock	8.2
Over 10	
Kwikset	50.0%
Schlage Lock	31.5
Weiser	29.0
Dexter	23.7
Moss	13.1
Co. sales volume	
Under $1 million	
Kwikset	46.6%
Weiser	33.7
Schlage Lock	14.2
Dexter	10.7
Harloc	6.8
$1-$3 million	
Kwikset	55.5%
Weiser	29.7
Schlage Lock	24.7
Dexter	20.2
Yale	6.9
$3-$10 million	
Kwikset	49.9%
Weiser	47.8
Schlage Lock	23.5
Dexter	18.9
Yale	13.1
Over $10 million	
Kwikset	57.5%
Weiser	24.2
Schlage Lock	23.6
Dexter	17.8
Moss	15.1
Weslock	15.1

Source: *NHCN;* Leo J. Shapiro and Assoc.

Send us your personnel promotions and changes so that *NHCN* can keep the industry up to date about your chain. Include name of individual, company, new position, old position and years with the firm. Also, if possible, send black-and-white photo to People, *National Home Center News,* Lebhar-Friedman, 425 Park Ave., New York, N.Y. 10022.

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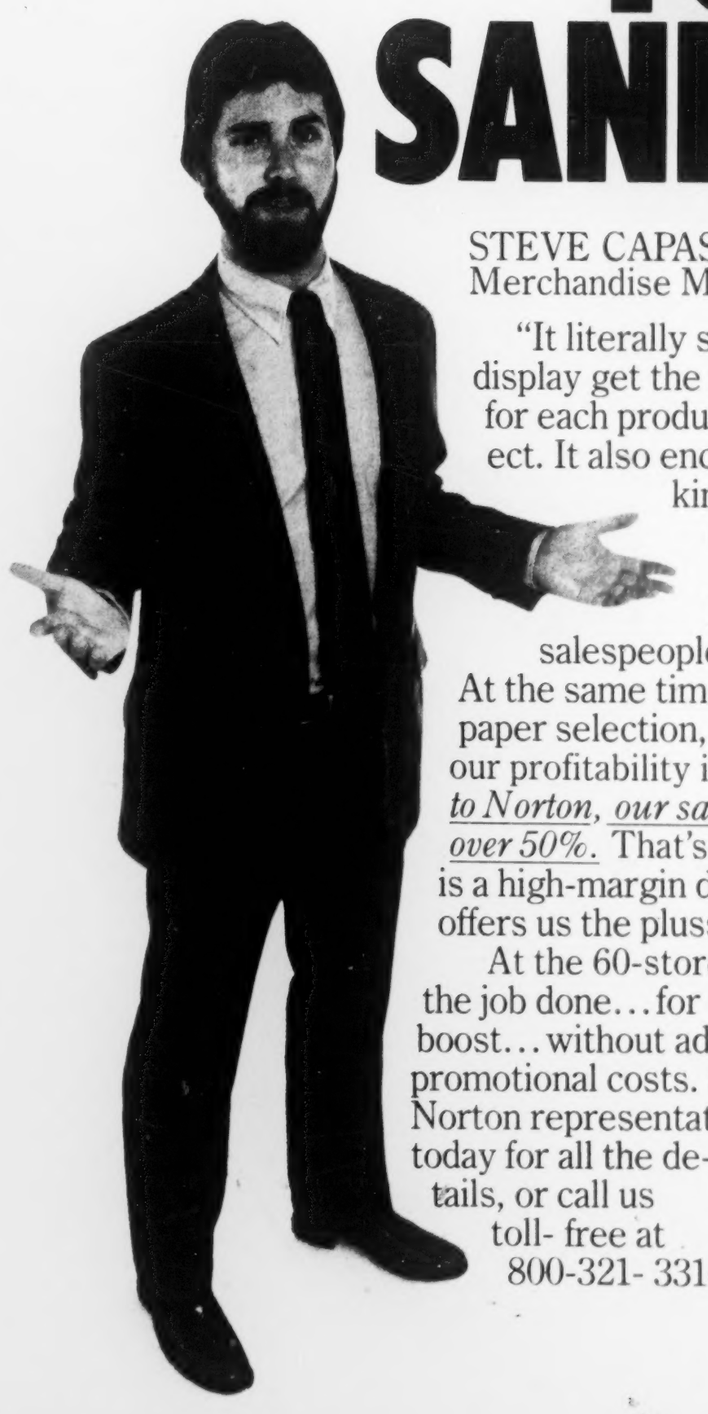

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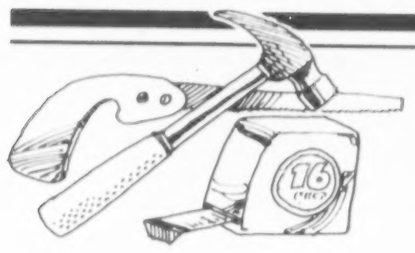
NHCN TOP BRANDS STUDY



Stanley Tools has high profile among retailers

Stanley Tools holds a significant lead not only in its hand tool penetration in American home centers, but even more so in dealer brand awareness, a new survey of home improvement retailers shows.

Stanley Tools was mentioned as one of the best-selling hand tool brands carried by 7 out of 10 home centers in the United States and 9 of 10 stores belonging to companies with $10 million or more in sales.

Moreover, when retailer responses were tracked to see which brand they mentioned first, Stanley Tools outdistanced all other brands, being named first by two-thirds of the nation's home improvement outlets, compared to the next leading brand, which was named by 5% of the stores.

The difference represents, in part, the high identity factor Stanley appears to have among retailers, although not necessarily the proportion of actual sales volume or market shared.

Home centers also predominantly cited as best selling the multiple hand tool lines made by The Cooper Group: Cooper's Plumb line of axes and hammers ranked second among the best-selling brands listed; Cooper's corporate name placed fourth, and its Nicholson line of hand saws finished 11th.

Saw product brands, in fact, figured importantly as best-selling names identified by home centers: Disston, Great Neck Saw and Vermont American (which also make other kinds of hand tools besides saws) were among the top 10 brands listed.

% of U.S. home center stores carrying name brand hand tools—by region

Northeast		North Central	
Stanley Tools	75.1%	Stanley Tools	67.4%
Great Neck Saw Manufacturers	17.5	Black & Decker	17.4
Cooper	14.1	Plumb	12.6
Black & Decker	9.3	Skil Corp.	8.0
Tru Temper	9.3	Cooper	6.9
Plumb	8.8	Fuller Tool	6.5
Master Mechanic	6.2	Eastwing	5.3
South		**West**	
Stanley Tools	75.7%	Stanley Tools	80.9%
Cooper	16.3	Plumb	32.1
Fuller Tool Co.	14.3	Fuller Tool Co.	1268
Plumb	14.1	Black & Decker	12.6
Blue Grass	14.0	Vaughan & Bushnell	10.1
Black & Decker	10.7	Vermont American	9.0
Skil Corp.	8.9	Disston	7.8

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

TOP BRANDS STUDY: HAND TOOLS

MARKET PENETRATION Brands	% of home centers carrying that brand	TOP OF MIND AWARENESS Brands	% of home centers 1st mentioning that brand as best selling
Stanley Tools	73.5	Stanley Tools	64.5
Plumb	16.1	Plumb	5.3
Black & Decker	13.2	Black & Decker	4.7
Cooper	10.4	Skil Corp.	3.4
Fuller Tool	9.8	Master Mechanic	2.1
Skil Corp.	6.4	Great Neck Saw Mfrs.	1.5
Disston Co.	5.6	Cooper	1.4
Great Neck Saw Mfrs.	5.5	Tru-Temper	1.1
Vermont American	4.2	Nicholson	1.1
Blue Grass	3.8	Blue Grass	1.0

2,170 stores surveyed; percentages projectable to all U.S. home centers

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

Stanley Tools was mentioned as one of the best-selling hand tool brands carried by 7 out of 10 home centers in the United States, according to a retailer survey. When responses were tracked to see which brand they mentioned first, Stanley Tools outdistanced all other brands by a wide margin. The brand holds a dominant position in all four regions of the country.

Filling out the rest of the list were hand tools made by Black & Decker and Skil which serve basically as accessories to those companies' power equipment; the Whitestone, N.Y.-based Fuller Tool Co., which manufactures and imports a wide range of hand tools, and Blue Grass, the brand name under which Belknap, the Louisville,

The Plumb brand got its highest response from home centers located in the West, and among those stores which are part of chains with 10 stores or more. However, the brand was also identified most frequently by dealers representing stores whose companies do less than $1 million in sales, an indication, perhaps, that the brand is popular both with small and large home center companies.

% of U.S. home center stores that carry top brand hand tools—by company size

Percentages reflect distribution of brand penetration

No. of stores	
One	
Stanley Tools	62.9%
Plumb	19.4
Black & Decker	12.9
Fuller Tool Co.	12.9
Nicholson	11.3
2-10	
Stanley Tools	72.1%
Black & Decker	20.1
Skil Corp.	12.5
Disston Co.	8.5
Cooper	7.8
Over 10	
Stanley Tools	84.1%
Plumb	21.1
Cooper	13.1
Fuller Tool Co.	10.5
Black & Decker	7.9
Eastwing	7.9
Co. sales volume	
Under $1 million	
Stanley Tools	65.1%
Plumb	24.9
Fuller Tool Co.	21.3
Cooper	17.8
Nicholson	14.2
$1 million-$3 million	
Stanley Tools	60.1%
Black & Decker	12.8
Plumb	12.0
Skil Corp.	10.3
Great Neck Saw Mfrs.	9.5
$3 million-$10 million	
Stanley Tools	77.1%
Plumb	15.6
Black & Decker	13.7
Fuller Tool Co.	11.1
Cooper	9.9
Over $10 million	
Stanley Tools	91.8%
Cooper	11.3
Plumb	9.8
Fuller Tool Co.	7.5
Great Neck Saw Mfrs.	7.5

Source: *NHCN,* Leo J. Shapiro and Assoc.

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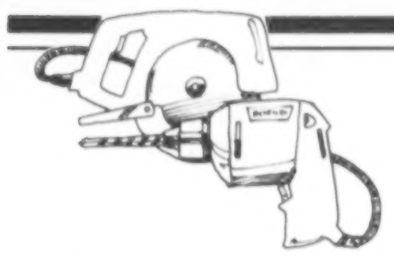

U.S. brands dominate power tool market

Black & Decker and Skil continue to be the powerhouse brand names in the power tool market, with each brand being carried by nearly 60% of the nation's home center stores.

Unlike the hand tool market, where import penetration has eroded some of the domestic manufacturers' market share, American-made brands dominate the power tool field. However, Makita, which imports a high-end line of portable power equipment, ranked a surprising third as the brand identified by home centers as being the best selling, although its market penetration still lags far behind B&D's or Skil's.

Makita is carried in 18.4% of home centers, while Rockwell International the next strongest brand in market penetration, is carried by 16%.

The rest of the field appears to be carried by a relatively small percentage of home centers, although some things are worth noting: Milwaukee's premier line of tools managed to be mentioned as one of the best-selling brands, despite its high price point; the Duracraft import line of stationary drill presses and other tools ranked seventh overall; B&D's stationary tool division, DeWalt, came in as the 10th ranked best-selling brand identified by home centers, and McCulloch appears to have maintained a brand franchise of its own among home centers, although it specializes in the manufacture of outdoor power equipment such as chain saws and string trimmers.

In addition, Porter Cable, which was purchased in 1960 by Rockwell and was sold last year to Pentair Co., has been distributing portable power tools under its own name, and ranked sixth overall as a best-selling brand, two places behind Rockwell, which continues to manufacture stationary equipment.

B&D's and Skil's market penetration runs the gamut in all parts of the country and with home centers of every shape and size. The highest percentage of home centers carrying Skil were in the West, where almost two-thirds of the stores carry that brand. B&D showed a little softness with those home centers that were part of smaller companies with sales of between $1 million and $3 million, but got its highest response rate from home centers whose companies did in excess of $10 million in sales, about two-thirds of which carry the brand. In addition, 7 out of every 10 home centers surveyed that identified B&D as a best-selling brand were part of companies with more than 10 stores.

Skil, too, was well represented in larger chains, although it received its highest response rate from those home centers whose companies did between $3 million and $10 million in annual volume.

TOP BRANDS STUDY: POWER TOOLS

MARKET PENETRATION Brands	% of home centers carrying that brand	TOP OF MIND AWARENESS Brands	% of home centers 1st mentioning that brand as best selling
Black & Decker	59.9	Skil Corp.	34.9
Skil Corp.	59.6	Black & Decker	34.4
Makita	18.4	Makita	8.4
Rockwell Int'l	16.0	Rockwell Int'l	4.5
Milwaukee Tools	4.9	Milwaukee Tools	1.8
Porter Cable	4.2	Porter Cable	0.8
Duracraft	2.6	Other	3.3
Wen Products	2.2		
McCulloch	1.9		
DeWalt	1.0		

2,170 stores surveyed; percentages projectable to all U.S. home centers

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

Makita ranked a surprising third as the brand identified by home centers as being best-selling, but Black & Decker and Skil are by far the leaders in market penetration. Regionally (chart, left), Black & Decker is strongest in the Northeast and North Central; Skil in the South and West.

% of U.S. home center stores carrying name brand power tools—by region

Northeast		North Central	
Black & Decker	55.1%	Black & Decker	62.0%
Skil Corp.	52.9	Skil Corp.	55.7
Makita	24.6	Rockwell Int'l	23.6
Rockwell Int'l	22.2	Makita	10.5
Porter Cable	12.9	Milwaukee Tools	4.5
Milwaukee Tools	6.2	Duracraft	4.4
Wen Products	5.7	Porter Cable	2.8
South		**West**	
Skil Corp.	59.5%	Skil Corp.	73.1%
Black & Decker	58.3	Black & Decker	62.7
Makita	14.3	Makita	33.6
Rockwell Int'l	7.7	Rockwell Int'l	8.0
Milwaukee Tools	6.1	Duracraft	5.1
Porter Cable	3.8	Wen Products	5.1
		McCulloch	5.1

Source: *National Home Center News;* Leo J. Shapiro and Assoc.

% of U.S. home center stores that carry top brand power tools—by company size

Percentages reflect distribution of brand penetration

No. of stores	
One	
Black & Decker	54.8%
Skil Corp.	53.2
Rockwell Int'l	19.4
Makita	11.3
Milwaukee Tools Corp.	8.1
2-10	
Skil Corp.	62.1%
Black & Decker	51.9
Makita	19.4
Rockwell Int'l	19.1
Milwaukee Tools Corp.	7.4
Over 10	
Black & Decker	71.0%
Skil Corp.	63.3
Makita	23.7
Rockwell Int'l	10.6
Co. sales volume	
Under $1 million	
Black & Decker	59.9%
Skil Corp.	51.8
Rockwell Int'l	20.7
Milwaukee Tools Corp.	12.0
Makita	9.1
$1 million-$3 million	
Skil Corp.	61.4%
Black & Decker	43.6
Rockwell Int'l	22.4
Makita	13.9
Porter Cable	9.5
$3 million-$10 million	
Skil	68.8%
Black & Decker	62.3
Makita	31.5
Rockwell Int'l	20.6
Over $10 million	
Black & Decker	66.3%
Skil Corp.	64.1
Makita	16.4
Rockwell Int'l	7.5

Source: *NHCN;* Leo J. Shapiro and Assoc.

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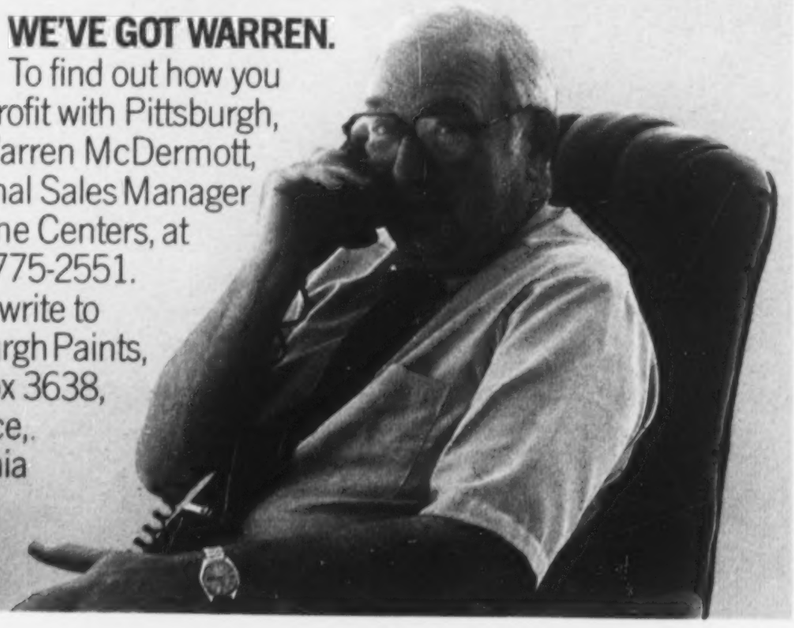
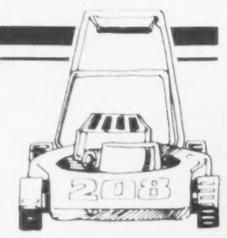


NHCN TOP BRANDS STUDY

Northeast stores carry more name brand mowers



The remaining name brands in the top 10 included Wheeler, Lawn Chief—an MTD product—Snapper, Dynamark and Black & Decker, all of whom were carried by less than 4% of the respondent population.

Wheeler, with 3% of the vote, showed its strongest penetration in the Northeast. The name brand was also shown to be most dominant among stores that belong to chains of two to 10 units, as well as stores belonging to companies with annual sales of between $3 million and $10 million.

Name brand lawn mowers are carried by slightly more than a third of the stores in the retail home improvement industry, a national survey of home center retailers has found.

The survey, designed to measure the market penetration of name brand merchandise in more than 15 separate product categories, showed that lawn mower name brands are carried most often by stores in the Northeast, where 46.6% of those polled said they carry such merchandise.

More than 40% of the stores located in the West said they carry name brand lawn mowers.

Research showed that name brand lawn mowers are handled mostly by larger operations. Just over half the stores belonging to chains with sales in excess of $10 million carry the product. Name brand lawn mowers also are carried by 43% of those stores catering primarily to the consumer and 41% of those aiming at both the consumer and contractor, compared to only 8% of stores serving contractors primarily.

Both Lawn Boy and Toro were shown to be the most-carried brands in the industry, each being carried in 9% of the nation's home center stores, while Sunbeam was carried by 8.7%.

Toro came out slightly ahead of Lawn Boy in terms of name brand identification. Some 5.5% of retailers who were asked to name their best-selling lawn mower brands named Toro first, compared to the 4.2% who first named Lawn Boy, and 3.4% named Sunbeam.

The two brand names seemed dominant in different regions with Toro being carried most often in the West and North Central, and Lawn Boy showing by far the larger penetration in the Northeast.

Sunbeam, the third most-carried name brand, showed nearly equal distribution in the Northeast and West, where the brand name is carried by 15.8% and 17.7% of stores, respectively.

MTD was found to be carried most often by chains with between two and 10 units. This name brand also showed its heaviest penetration in the Northeast.

TOP BRANDS STUDY: LAWN MOWERS

MARKET PENETRATION Brands	% of home centers carrying that brand	TOP OF MIND AWARENESS Brands	% of home centers 1st mentioning that brand as best selling
Lawn-Boy	9.0	Toro	5.5
Toro	9.0	Lawn-Boy	4.2
Sunbeam	8.7	Sunbeam	3.4
MTD	4.9	Lawn Chief	2.2
Homelite-Jacobsen	4.4	Wheeler	2.0
Wheeler	3.0	Dynamark Corp.	1.9
Lawn Chief	2.7	MTD	1.9
Snapper	2.0	Black & Decker	1.7
Dynamark Corp.	1.9	Murray	1.2
Black & Decker	1.7	Homelite-Jacobsen	1.0

2,170 stores surveyed; percentages projectable to all U.S. home centers

Source: *National Home Center News*, Leo J. Shapiro and Assoc.

Lawn Boy and Toro are each carried by 9% of the stores in the retail home improvement industry, according to a national survey of retailers. Name brands seem to have concentrated penetration among stores belonging to large chains in the Northeast and West.

% of U.S. home center stores carrying name brand lawn mowers—by region

Northeast		North Central	
Sunbeam	15.8%	Toro	11.3%
Lawn-Boy	14.7	Lawn-Boy	9.9
Homelite-Jacobsen	11.4	Lawn Chief	5.2
MTD	8.5	Sunbeam	3.3
Wheeler	5.9	MTD	3.3
Black & Decker	4.2		
Murray	4.2		
South		**West**	
Toro	7.1%	Sunbeam	17.7%
Sunbeam	5.3	Toro	12.3
MTD	3.7	Lawn-Boy	10.1
Wheeler	3.7	MTD	6.3
Lawn-Boy	3.6	Homelite-Jacobsen	5.2
Black & Decker	3.6	Dynamark Corp.	5.1

Source: *National Home Center News*; Leo J. Shapiro and Assoc.

% of U.S. home center stores that carry top brand lawn mowers—by company size

Percentages reflect distribution of brand penetration

No. of stores	
One	
Lawn-Boy	3.2%
Lawn Chief	3.2
2-10	
Lawn-Boy	10.2%
Sunbeam	9.5
MTD	9.5
Toro	8.5
Wheeler	6.6
Over 10	
Toro	15.8%
Sunbeam	15.7
Lawn-Boy	13.1
Homelite-Jacobsen	10.6
MTD	5.2
Dynamark Corp.	5.2
Co. sales volume	
Under $1 million	
MTD	6.5%
Lawn Chief	3.6
Snapper	3.6
Yazoo	3.6
$1 million-$3 million	
Murray	5.8%
Toro	5.6
Sunbeam	3.4
Lawn-Boy	3.4
$3 million-$10 million	
Sunbeam	10.0%
Wheeler	9.1
Lawn-Boy	8.9
MTD	4.6
Lawn Chief	4.1
Over $10 million	
Lawn-Boy	15.1%
Sunbeam	15.1
Toro	11.9
Homelite-Jacobsen	11.3
MTD	7.5

Source: *NHCN*; Leo J. Shapiro and Assoc.

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FINANCIAL NEWS

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Lowe's	8/26-4 wks.	$116,000	$ 79,100	47	—	—	—
Payless Cashways	8/27-3rd qtr.	252,063	172,972	46	$10,904	$6,866	59
Scotty's	8/27-4 wks.	29,704	22,817	—	—	—	—

*$ in thousands

Source: Company reports

Payless net up 59% thru 3 quarters

KANSAS CITY, Mo.—A 59% increase in net income and a 46% increase in sales during the third quarter ended Aug. 27 helped to move Payless Cashways past its sales and earnings figures for all of 1982 with another quarter still left in the current fiscal year.

Net income in the quarter reached $10.9 million on sales of $252.1 million compared to third quarter 1982 income of $6.9 million on sales of $173 million. The figures pushed three-quarter totals at Payless to $24.4 million in net income on sales of $613.8 million.

During all of fiscal 1982, Payless had recorded $23.1 million in net earnings on $603.2 million of sales.

"We are particularly pleased with our third quarter results, especially when considering the unusually hot summer in much of our trade territory," said president David Stanley. "Our stores in the states of California, Texas and Oklahoma continue to lead the company in sales gain, confirming the decisions over the past several years to increase our market penetration in those areas."

Overall, sales at Payless units opened at least one full year were up 18% in the quarter compared to a year ago.

During the third quarter, Payless added five stores, including its third outlet in Columbus, Ohio, its eighth and ninth stores in the Houston market in Baytown and Pasadena, Tex., its fourth unit in the Phoenix market in Chandler, Ariz., and the former Morrison Building Supply Center in Salina, Kan., to bring the chain's total to 117 stores.

STOCK PRICES

	As of 9/13	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	38¼	47⅜	25⅝	26
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	15⅝	19½	7	—
Forest City (AMEX)	28½	30⅝	13¼	49
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	47⅝	50⅜	34⅞	13
Lowe's (NYSE)	25⅛	32¾	11¾	22
Pay 'N Pak (NYSE)	19	24	16⅝	14
Payless Cashways (NYSE) [Furrow]	24⅜	34½	13¼	26
Scotty's (NYSE)	16⅜	21⅛	12¾	17
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	15¼	16½	9	—

Nasdaq national—over-the-counter stocks

	As of 9/13	52-week High	52-week Low	P/E Ratio
Hechinger	27	38½	16⅜	—
The Home Depot	29	31⅛	6⅛	—
Pay 'n Save	25⅞	27⅝	11	—

Over-the-counter stocks

	As of 9/13 Bid	As of 9/13 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	20	22½	23	8½
Home Centers of America	9½	10	12½	5
Home Centers of America [units]	28½	31	38	13¼
Hines Lumber	27	28	31	14
Scotts Seaboard [Scott's]	4½	5½	4¾	⅝
Wolohan Lumber	6½	6⅝	10⅛	4⅛

Lowe's sales set torrid pace

NORTH WILKESBORO, N.C.—Lowe's continued its torrid sales pace of 1983 when the 235-store chain posted a 47% increase in volume during August, officials announced.

The company totaled $116 million in sales in the four weeks ended Aug. 26 compared to $79.1 million recorded in the similar period in 1982. The performance pushed Lowe's sales for the first seven months of fiscal 1983 to $833.7 million, 42% better than last year.

Once again for Lowe's, the sales gain from the professional side of the business outpaced the gain from the consumer portion for the chain during the month. Builder volume rose 74% from a year ago to $59.5 million, or 51% of the month's total volume, while consumer sales were up 26% to $56.5 million, officials said.

Sales at the 233 units opened for at least a year increased 46% in August to $115.2 million, according to Lowe's officials.

Professional builders boost Scotty's sales

WINTER HAVEN, Fla.—Florida's improving business climate, especially in the professional builder sector, helped Scotty's report a 30% increase in sales for the four weeks ended Aug. 27, according to Ray H. Cooney, the chain's president and chief operating officer.

The 103-store company, with all but one of its units operating in Florida, reached $29,704,010 in August sales compared to $22,816,788 a year ago.

Cooney said about two-thirds of the August sales increase was attributable to gains made in the professional builder market.

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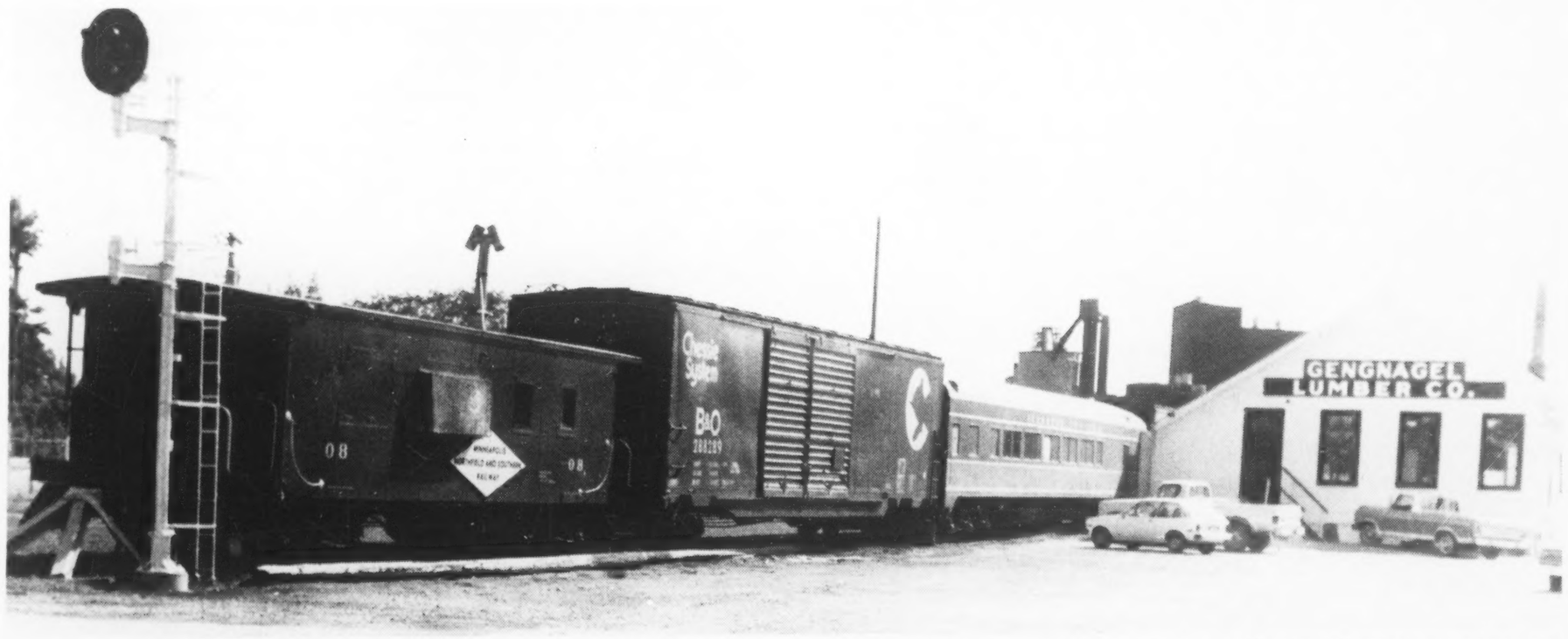

The Gengnagel Lumber Co., a one-store independent in Auburn, Ind., bought seven old railroad cars—including a vintage Pullman—as an inexpensive means of creating office and storage space, as well as a source of promotions. Photo courtesy of Gengnagel Lumber Co.

Gengnagel's railroad generates publicity

AUBURN, Ind.—The Gengnagel Lumber Co. has found itself a new corporate home, refashioned its retail image and developed a limitless source of special promotions—all with the purchase of seven old railroad cars.

Company president Albert Gengnagel said the one-store independent moved its offices into the plush interior of a renovated Pullman passenger car in July. Four boxcars have come into use as storage space for commodities and building materials, while a fifth lies empty and waiting for the company's first "authentic" carload sale. The final feature in this sidetrack exhibit is, of course, the caboose, which sits furthest from the store so as to be seen by passing motorists on nearby Route 8.

This unlikely marriage of home center retailing and railroad memorabilia first came into being as an inexpensive means of creating office and storage space. Within just two months, however, employees have begun offering customer tours of the Pullman and caboose while radio spots identify Gengnagel Lumber as the store with the train.

Gengnagel said the railroad cars also have spawned two new goals: One is the creation of an on-lot "dining car" restaurant, while the other involves a Pullman passenger car that can be used for leisure trips throughout the region.

"We needed a new office after we sold the old one with our fuel oil and gasoline, and liquid propane businesses," Gengnagel said. "My dad [board chairman Harold Gengnagel] and I came up with the idea of the railroad cars—we used to be in the coal business and got to know trains pretty well.

"We wouldn't have been able to build such a luxurious office and have the storage space for the price," he added.

Between purchases and renovations, Gengnagel Lumber paid about $30,000 for the current setup. All seven cars rest on a sidetrack that runs alongside the former New York Central Freight Depot, where the Gengnagel store is housed. The president said it is the site's accessibility to nearby rail systems that allowed the firm to purchase the Pullman and caboose from a private resident and have them hauled 80 miles by the Chesapeake & Ohio Railroad Co.

Four boxcars provide Gengnagel with a combined storage area of 2,000 sq. ft., which is devoted to drywall, rolled roofing, thermax and sheetmetal fittings. The building itself contains 2,000 sq. ft. of retail space, plus an equal amount of warehouse area.

The Pullman, which measures 800 sq. ft., provides office space for the Gengnagels and their bookkeeper. The president said the interior still boasts the carpeting, light fixtures, air ducts and wiring originally built into the car in 1933. The car, which is connected to the retail store at the side, is cooled by air-conditioning and warmed by steam heat.

Gengnagel said the store, which generated sales of approximately $500,000 last year, has gained some considerable notoriety—including a feature story in the *Fort Wayne Journal-Gazette*—since the addition of the railroad cars. The president estimates that between eight and 10 people per day are taken through the Pullman.

Among the items of interest to be found inside the car is the president's own Lionel train set, one given him on a distant Christmas Day more than 30 years ago.

Gengnagel said he has no way of telling what kind of affect the railroad cars have had on customer traffic. "But I think there would have to be some new people coming down just to have a look," he speculated.

"We just wanted something unique, and I think we've got it," he said.

The president was not specific about the likelihood of a new Pullman for club dining and private parties. "But we've still got plenty of room, and there are two or three other cars we're looking at right now."

FUTURES

Two weeks ended Sept. 6, 1983

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Sept.	162.50	145.00	148.50	154.80	204	240.40	145.00
Nov.	176.40	161.10	167.70	170.30	5,525	229.90	161.10
Jan. '84	189.30	172.30	179.00	184.10	1,714	234.00	172.30
March	202.70	184.80	191.80	194.80	764	240.50	184.80
May	211.50	195.30	200.30	203.10	212	245.50	195.30
July	219.50	204.00	210.50	214.00	69	252.50	204.00
Sept.	227.50	209.80	217.90	221.40	37	236.00	209.80

Total Contract Vol. (Through 9/16): 765 — **Previous Two Weeks: 2,404**
Total Open Interest (As of 9/15): 8,525 — **Previous Week: 8,113**
Cash Price: $147.00 — **Previous Week: $154.84** — **Year Ago: $133.28**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Sept.	183.00	176.10	182.90	179.00	4	223.90	172.80
Nov.	185.40	180.20	185.40	182.50	614	226.60	177.20
Jan. '84	188.00	182.50	187.50	183.80	112	223.00	179.70
March	193.00	186.50	192.50	188.20	219	225.00	183.00
May	195.50	190.00	195.50	191.50	21	194.50	187.50
July	198.50	193.00	198.50	194.50	20	197.50	190.50

Total Contract Vol. (Through 9/16): 27,855 — **Previous Two Weeks: 28,748**
Total Open Interest (As of 9/15): 990 — **Previous Week: 1,024**
Cash Price: $181.30 — **Previous Week: $180.32** — **Year Ago: $166.60**

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, Sept. 15.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

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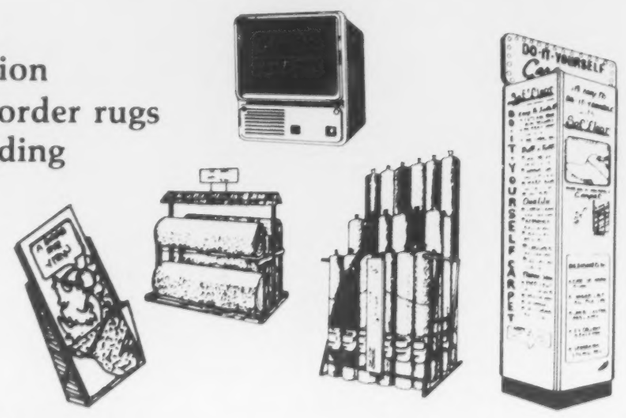

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A Service Of HABITAT INTERNATIONAL INCORPORATED

Payless tops list of industry TV advertisers

(Continued from page 1)
primarily at cultivating a store image of broad merchandise selections, quality name brands and service.

"Spending will not continue to rise at that rate," Pond joked during a recent interview, "or we'll be bankrupt by mid-1984, I'd say."

TVB spokesman Bob Grebe cautioned that spending estimates should serve only as a guide to the actual volume of TV air time purchased by an individual advertiser. The estimates are determined by the Broadcast Advertisers Report (BAR), which monitors a sampling of TV air time in the nation's 75 largest markets and then applies the advertising rates particular to each market and commercial length.

Estimates also do not necessarily include the financial support reaped from co-op advertising programs.

TVB showed eighth-ranked Scotty's to have increased its television expenditures by 1,389% over the first six months of 1982. BAR figures said the 103-unit chain spent only $37,000 on television advertising between January and June last year.

Tom Roskelly, Scotty's director of advertising and public relations, questioned the estimate by BAR. He said TV ad spending has been strengthened by at least 50% this year, and not by the percentage shown by BAR, and could only suggest that Scotty's was winding down its television advertising campaign during the period last year.

Scotty's current campaign is being aimed primarily at the Standard Metropolitan Statistical Areas surrounding Orlando and Dayton, and Tampa and St. Petersburg, partly in response to Home Depot's move into the area. Scotty's also has launched one-month spot support for special promotions in West Palm Beach and Tallahassee.

Scott's, the 17-unit home center chain from Linthicum, Md., found itself at No. 13 on the list after launching its first organized television ad campaign in February. TVB estimated the company's spending at $210,100, compared to $23,400 for the same period last year. This year's campaign includes 15 to 20 10- and 30-second spots aired on each of six stations in the Washington-Baltimore Area (*NHCN*, April 25).

The new campaign was said to have been precipitated by both Scott's growth from an eight-store chain in 1981 and an increase in television usage by its competitors, namely Hechinger and Mr. Goodbuys, who rank ninth and 11th, respectively.

House Works, the W. R. Grace retail warehouse subsidiary which opened its first unit March 16 in Harvey, La., ranked in 14th position. The chain spent $208,700 on television advertising during a four-month period ending in June, according to TVB.

Meanwhile, the bureau reported that former Grace executive Frank Denny and his new Home Centers of America company spent approximately $84,000 on television commercials in May and June. Spending preceded the grand opening of the company's first Home Pro Warehouse, which opened its doors in San Antonio just before Memorial Day. Home Pro's spending did not qualify it for the top 15 list, however.

Three home center chains, including Knox Lumber, Handy Dan and Lindsley, fell from the list altogether. Knox had made its debut on the list during the first quarter of this year, when it spent $105,300 on the broadcast medium and held a 12th place ranking.

Handy Dan, whose television advertising commitment rose by about 124% over the first six months of 1982, missed the list by one position. Ranked just behind last-place Pay N' Pak, the San Antonio-based Grace subsidiary spent about $165,900 on TV during the first half of this year, compared to an estimated $73,900 spent between January and June last year.

Handy Dan ranked 13th on the list for the first quarter of 1983.

First half TV ad spending

Chain	Expenditures Jan./June 83	Jan./June 82	% change
1. Payless Cashways*	$2,314,700	$ 351,800	+ 558
Lumberjack	212,200	187,800	+ 13
2. Sutherland Lumber	1,455,400	592,000	+ 146
3. Builders Emporium	1,380,200	1,008,400	+ 37
4. Home Depot	877,800	570,700	+ 54
5. National Lumber	711,800	612,300	+ 16
6. Lowe's	630,300	209,400	+ 201
7. Plywood Minnesota	582,000	577,900	+ 1
8. Scotty's	550,800	37,000	+1,389
9. Hechinger	547,100	532,100	+ 3
10. Ole's Home Centers	379,900	473,600	– 20
11. Mr. Goodbuys	378,500	228,600	+ 66
12. Menard Cashway	253,300	206,700	+ 23
13. Scott's	210,100	23,400	+ 798
14. House Works	208,700	—	—
15. Pay 'N Pak	206,800	204,500	+ 1

*Does not include Lumberjack, acquired by Payless in January 1983

Source: Television Bureau of Advertising from analysis of Broadcast Advertisers Reports data; *NHCN* chart

Leading television advertisers in the home center industry spent a total of $10.9 million on the medium in the first half of the year. Topping the list was Payless Cashways, whose $2.3 million expenditure nearly matched that posted by the industry's largest TV advertiser for all of 1982.

18% to 20% sales gains predicted in 1983 by companies

(Continued from page 1)
owns *NHCN*, among other business and trade publications.

One-third of the home center companies polled expect sales gains between 10% and 19%. About one quarter of all companies surveyed predicted their sales would climb by 20% to 29% this year.

The median rate of increase among all firms projecting higher sales in 1983 was 18.2%.

Companies catering exclusively to contractors expect the largest per cent increase in sales this year, according to the survey. The median sales boost predicted by those stores is 22% compared with 18.3% for total consumer outlets and 16.9% for units that cater to both markets.

When the companies are broken down regionally, it appeared that those in the Western and Southern States were the most optimistic about sales. Almost one-third of the home center stores in each region thought their volume would jump 20% to 29% ahead of 1982 figures. The median sales gains anticipated by both Western and Southern home center companies hovered around 21%.

On the other hand, nearly one-fourth of the Northeastern companies polled expected their stores' sales would increase by less than 10%.

Sales gains expectations are also related to company size. Nearly two-fifths of companies with annual sales over $10 million expect their volume to grow 10% to 19% in 1983. Interestingly, 4 out of 10 of the smallest companies, with sales under $1 million, also predict sales gains in that range.

However, over 35% of moderate size companies, with yearly sales of $1 million to $3 million, expected their volume to go up between 20% to 29% this year.

When asked what market conditions were the basis for their sales predictions, home centers most frequently pointed to improvement in the housing market. That view was especially true of stores located in the South, where the housing start rate is the highest in the nation, and the North Central States, where home building activity has begun to pick up.

Not surprisingly, close to 60% of contractor-oriented home centers anticipating higher sales this year, did so based on the performance they were witnessing in the housing market. Consumer-oriented stores were more likely to view general economic improvement as the reason for their sales gains.

Overall, 32% of those home centers claiming their stores will have sales increases this year said the main reason would be because of the housing market, followed by another 28% that thought the upturn throughout the economy would result in sales gains.

Almost 20% of the home center stores singled out lower interest rates as having a positive impact on their volume. That perception was especially strong among moderate-sized companies. One-third of home centers whose parent companies have sales between $3 million and $10 million, made the connection between interest rates and their sales.

Store performance was considered a strong factor in sales improvement by about 13% of companies overall and by 3 out of 10 whose stores sell to both consumers and contractors. The smaller operations, whose companies had annual sales of $1 million or less, also strongly pointed to the accomplishments of their stores' operations to explain sales increases this year.

While only about 1 out of every 10 stores thought that increased home remodeling and repair activity would account for its sales gains, more than one-fourth of the home centers in the Northeastern states—where homes are often older and in need of more fixing up—felt that expanded DIY activity among their customers was a strong factor in this year's sales gains.

Diamond Int'l selling its 97 home centers

(Continued from page 1)
does about two-thirds of its business with builders.

To ease the situation, the chain, especially in the West, embarked on merchandising and advertising programs (*NHCN*, March 28), designed to boost consumer sales. Officials were reporting successful results with the program.

Originally, Goldsmith intended to retain the retail group which had been designated as one of the "core" businesses of Diamond International.

The future turned ominous, however, in an announcement at Diamond's annual meeting last year, which said, "If present adverse economic conditions continue to prevail for a significant period or if the bank borrowings incurred to finance the acquisition of shares of Diamond common stock in the merger are not otherwise repaid or refinanced, DUSA (Diamond International's parent) may be compelled to sell some portions of the core businesses."

Since then, Diamond has already sold two of the four so-called "core" businesses. It now remains only with timberlands, lumber and fiber products holdings.

Sir James Goldsmith is expected to sell Diamond International's home centers in order to pay off over $450 million in debt.

In addition, the company hastened a retail consolidation program designed to eliminate less productive, sometimes unprofitable, units from the chain. The closing or sale of about 25 stores apparently reached a conclusion this past summer when Diamond officials announced they would sell nine units in the Northwest (*NHCN*, July 18).

Since April 1982, Diamond has sold off: its U.S. Playing Card subsidiary, Heekin Can; its packaging products, corrugated container, paperboard and graphic arts divisions; its Diamond Automation packaging division; its match division, and the other two "core" businesses, the Calmar packaging division in June and its major pulp and paper holdings in July.

Two endcaps of laundry tubs, plastic fittings and the shower massage head of one leading manufacturer lead the consumer to a massive bulk display of shower doors—both exposed and in boxes underneath—at The Home Depot's Orlando, Fla., store. NHCN photo